BUSINESS WEEK

A McGRAW-HILL PUBLICATION

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FIFTY CENTS

MARCH 8,1958

\$835

.....

GMP In Billions of Joseph Land

PICTURE OF GROWTH

- Expanding population and technology plus insatiable demand have powered postwar growth.
- You can see now where the same forces could push us by 1975.
- Today's question: Are the propelling forces changing?

(page 130)

1947

\$298

1957

1975

PANN ARBOR KICH
313 N 1 ST 2-C
UNIVERSITY MICROFILMS
E B POWER

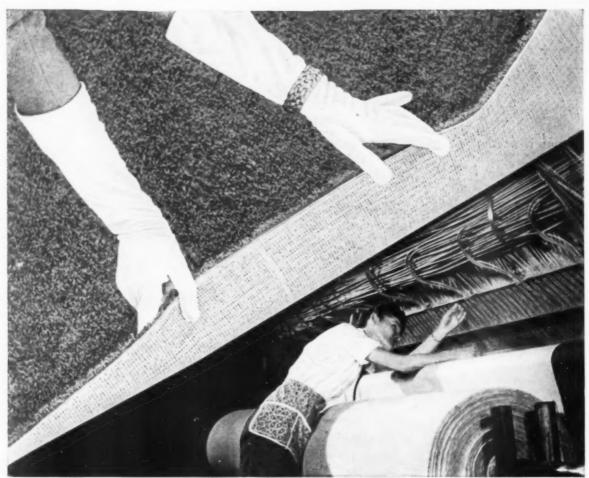


Photo courtesy Aldon Rug Mills, Lenni Mills, Pa

What's back of the boom in tufted carpeting?

The success of tufted carpeting begins with the unique "sewing" machines used to form the loose, looplike stitches that make up the pile. These huge, 1700-needle machines turn out up to 2000 lineal feet of 18-foot-wide carpet in eight hours which is about 15 times as efficient as conventional weaving.

"Bocking up" this success is a unique back-size applied to the carpet. For here is the ingredient that not only imparts essential body and stiffness, but also helps unchor the loops, prevents raveling and assures dimen-

sional stability. And these also are the reasons why PLIOLITE LATEX is used as the basis for the size.

Other reasons for using PLIOLITE LATEX, specifically, are its permanence, strength, flexibility, light color and consistently high quality which assure trouble-free coating operations. For full details on high quality PLIOLITE LATEX, or on other Goodyear latices for textile applications, just write to:

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COATINGS

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FIGURES OF THE WEEK

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150	1958				150
40	1730				140
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120					120
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1953 1954 1955 1956 1957 ³ F	M A M	Year	A S Month	O N Week	D § Late
SUSINESS WEEK INDEX (chart)	Average 91.6	Ago 149.7	Ago 128.3	Ago †129.5	*129
RODUCTION	71.0	147.7	120.3	1127.5	127
Steel inget (thous, of tons)	1,281	2,411	1,457	11,475	1,4
Automobiles and trucks	62,880	172,816	130,961	†114,930	117,6
Engineering const. awards (Eng. News-Rec. 4-wk daily av. in thous.)	\$17,083	\$57,739	\$47,979	\$51,078	\$52,9
Electric power (millions of kilowatt-hours)	4,238	11,791	12,238	12,338	11,8
Crude oil and condensate (daily av., thous. of bbls.)	4,751	7,519	6,842	6,808	6,8
Bituminous ceal (daily av., thous. of tons)	1,745	1,642	1,381	1,328	1,1
Paperboard (tons)	167,269	266,246	244,049	272,590	264,3
Carleadings: miscellaneous and I.c.l. (daily av., thous. of cars)	82	68	53	52	
Carloadings: all others (daily av., thous, of cars)	53	44	39	37	
Department store sales index (1947-49 = 100, not seasonally adjusted)	90	100	93	96	
Business failures (Dun & Bradstreet, number)	22	284	326	317	3
ICES					
spet commodities, daily index (Moody's, Dec. 31, 1931 = 100)	311.9	411.7	392.8	397.1	39
Industrial raw materials, daily index (BLS, 1947-49 = 100)	††73.2	94.3	83.1	83.2	8
Foodstuffs, daily index (BLS, 1947-49 = 100)	††75.4	80.3	86.9	89.6	8
Print cloth (spot and nearby, yd.)	17.5¢	18.0¢	17.6∉	17.4¢	17.
Finished steel, index (BLS, 1947-49 = 100)	††76.4	173.8	181.7	181.8	181
Scrap steel composite (Iron Age, ton)	\$20.27	\$50.50	\$36.67	\$37.33	\$37.
Copper (electrolytic, delivered price, E & MJ, Ib.)	14.045∉	31.910€	24.915¢	24.615¢	24.69
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	\$1.97	\$2.35	\$2.19	\$2.23	\$2.
Cotton, daily price (middling, 1 in., 14 designated markets, lb.)	**30.56¢ \$1.51	33.83¢ \$2.14	34.70¢ \$1.78	34.55¢ #	35.5 \$1.
NANCE					
500 stocks composite, price index (S&P's, 1941-43 = 10)	17.08	43.92	42.01	40.79	41.
Medium grade corporate bond yield (Baa issues, Moody's)	3.05%	4.46%	4.70%	4.64%	4.65
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate)	3/4-1%	3 % %	31/8 %	25/8 %	23/8
ANKING (Millions of Dollars)					
Demand deposits adjusted, reporting member banks	††45,820	56,370	56,134	54,882	54,9
Total loans and investments, reporting member banks	††71,916	85,038	86,187	87,027	87,3
Commercial and agricultural loans, reporting member banks	††9,299	30,314	30,638	30,451	30,4
U. S. gov't guaranteed obligations held, reporting member banks	††49,879 23,888	25,723 24,813	25,923 24,632	26,452 24,830	26,8 24,5
	23,000	1946	Year	Month	Late
ONTHLY FIGURES OF THE WEEK		Average	Ago	Ago	Mont
Private expenditures for new construction (in millions) February		\$803	\$2,226	\$2,364	\$2,2
Public expenditures for new construction (in millions)February		\$197	\$781	\$906	\$8
Consumer credit outstanding (in millions)January		\$6,704	\$41,138	\$44,776	\$43,9
Installment credit outstanding (in millions)January McGraw-Hill Indexes of New Orders (1950 = 100)	*****	\$3,174	\$31,568	\$34,105	\$33,7
New orders for machinery, except electrical (seasonally adjusted). January		N.A.	156	122	1
Construction & mining machineryJanuary		N.A.	176	131	1
		N.A.	144	131	,
Engines & turbines			176	166	1
Engines & turbinesJanuary		N A			
Pumps & compressors		N.A.	2.5		
Pumps & compressors January Metal working machinery January	******	N.A.	173	73	
Pumps & compressors January . Metal working machinery January . Other industrial machinery January .		N.A. N.A.	173 137	73 130	1
Pumps & compressors January		N.A.	173	73	1

[•] Preliminary, week ended March 1, 1958. • Revised.

THE PICTURES—26—(top & bot. rt.) Herb Kratovil, (bot. lt.) Grant Compton; 27—(top & bot. lt.) Herb Kratovil, (rt.) Joan Sydlow; 29—(lt.) I.N.P., (rt.) U.P.; 30—(top lt. & rt.) Herb Kratovil, (bot. lt.) Grant Compton; 31—Herb Kratovil; 52—Herb Kratovil; 64—Herb Kratovil; 65—Ray-O-Vac; 68—Yardney Electric Corp.; 77—(top) George D. O'Day Associates, (bot.) AiResearch Mfg. Div., 88, 89—Guido Organschi; 94, 95, 96—(type Hare; III)—W.W.

^{††} Estimate.
• • Ten designated markets, middling † in.

[¶] Date for 'Latest Week' on each series on request. # Insufficient trading to establish a price. N.A.—not available at press time.

A HOME-TOWN BUSINESS

THE BELL SYSTEM is nationwide yet the telephone business is largely a local business.

Research, manufacturing and a certain amount of over-all direction are handled centrally because experience has proved it is the better way.

But the job of serving people locally is handled by the operating companies throughout the country, organized to fit the needs of the particular sections they serve. Your Bell Telephone Company is one of these.

It is distinctly a home-town business because of the personal nature of telephone service.

Ninety-five out of every one hundred calls are local. They're madeto-order right on the spot. On all matters of service you have the very great advantage of dealing directly with the company and its people.

Your telephone company is managed locally and it pays taxes locally.



TELEPHONE INSTALLER visits a home-town family to install color telephones. He and his truck are familiar sights around town. Courtesy rides with him wherever he goes.

You probably know men and women in your town who work for it and have seen and heard of their active part in the welfare of the community. Local people have an investment in the business through their ownership of A. T. & T. stock.

Wherever there are new telephone buildings going up, or jobs of maintenance, there are jobs for local builders, architects, painters, carpenters, plumbers, electricians and many others.

So the Bell Telephone Company isn't something far away but close to you wherever you live and a friendly, helpful part of the community. That is the way you'd like it to be and we try very hard to run it that way.

BELL TELEPHONE SYSTEM





Series 1527 Veeder-Root Miniaturized Electro-Magnetic Counters were originally developed for use in aerial cameras. These and similar counters are used to "post" the number of film-exposures, gallons or rounds of ammunition remaining after each use.

The new miniaturized counters present a

frontal area less than 1" x 1"... save an important amount of space over the older, larger counters. Yet they are designed to operate at speeds as high as 900 counts per minute. And this modern design includes a new push-in bidirectional reset knob, with speed-up gearing. Specifications meet most military requirements. Write for full details.

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READERS REPORT

Get to Work

After reading An Oasis of Stability in 1958, Economic Report Under Attack, Hard-Hit Areas Multiply, and Why the Consumer Is Losing His Enthusiasm for Goods, I think that I know what is wrong with business. It's the economist and the businessmen that listen to him. The real solution to these problems is for all of us to get up off the seats of our pants, quit feeling sorry for ourselves and get back to work selling. Throw out some of the dead-wood executives and economists, double your sales force, start thinking, talking, and acting positive. . . .

I have already put this policy in effect and find that it does work.

RICHARD W. ROTH

REPUBLIC PRODUCTS CLEVELAND, OHIO

No Exaggeration

Dear Sir:

Re: Why All of Florida Is Crying for More Sun [BW-Feb. 15'58,p34]. . . . We would like to say, "well done." You have neither exaggerated nor minimized our troubles. . .

E. W. LINS

MANAGER, EASTERN DIV. AMERICAN NATIONAL GROWERS

FORT PIERCE, FLA.

Look Elsewhere

Dear Sir:

Business Week says "There's mystery about Eisenhower's business forecast," Washington Outlook [BW-Feb.15'58,p48].

I cannot concede that a few months' employment as a dairy hand in Kansas (Eisenhower's only business experience) qualifies the President to make a business forecast. He merely enunciates words. . . .

C. W. WILLIAMS

ALGOA, TEX.

Cause for Complaint

Dear Sir:

The February 15 issue of Business Week carries an article under the headline An Atomic Baby Is No Cinch [BW-Feb.15'58,p154].

While I must agree that the major portion of the article does not directly attribute statements or facts to General Electric or General Electric people, I would like to specifi-



GYROSCOPES:

Their Strange Properties Changed Our World



Surgically clean, dust-free laboratories are required to produce the highly accurate Sperry gyroscopes for advanced inertial navigation and guidance systems in missiles, aircraft, ships and submarines.

Nearly 50 years ago Elmer Sperry transformed a child's toy into a practical gyrocompass. In a major scientific break-through, man had harnessed the gyroscope's unique ability to maintain the direction of its rotational axis and also its strange behavior when this axis is disturbed.

This historic achievement touched off a series of Sperry developments in gyroscopics which revolutionized marine navigation, gave new horizons to the airplane, and opened the door to outer space. For the marine gyro-compass was soon followed by the first automatic pilot for aircraft and the first guided missile, both introduced by Sperry.

Through the years, new and improved gyro instruments, controls and systems by Sperry became essential equipment aboard ships and planes. By World War II, they had also become essential to our defense. Guiding and stabilizing bombers, fighters, battleships, submarines, tanks and torpedoes, the gyroscope also made possible the first bombsight and the first automatic computing gunsight for ships and aircraft.

The gyroscopes of today—refined, modified and adapted past all resemblance to their ancestors—are widely employed as key elements of precision devices on land, at sea and in the air. In Sperry's modern laboratories unique new gyroscopes are now being developed and produced to meet the challenges of tomorrow.



DIVISION OF SPERRY RAND CORPORATION



1911 Successful tests aboard U. S. S. DELAWARE proved worth of first Sperry Gyro-Compass in accurate navigation and gunfire control.



1912'Lawrence Sperry, son of the inventor, was first to fly automatically using the first gyroscope controlled Sperry Stabilizer.



1913 First vessel automatically stabilized by Sperry gyroscopes was U. S. destroyer worden.



1915 First U. S. missile was Sperry "Aerial Torpedo", in which gyros held pre-estab-lished course.



1919 Gyroscopic Turn Indicator and Drift Set guided Navy's NC-4 Flying Boat on first transatlantic flight.



1924 Precise navigation for the first round-the-world flight by Army's Douglas planes was provided by Sperry Master Compasses.

1929 First "blind" flight in covered cockpit by Lt. Jimmy Doolittle using Sperry the-world flight also won acclaim for Sperry's gyroscopic automatic pilot.







1942 In World War II, Sperry gyroscopes in bombsights and electronic automatic pilots enabled precision bombing.



1942 Ship defense against aircraft was greatly strengthened by introduction of Sperry's gyroscopic computing gunsight.



1946 Sperry began design of Sparrow I missile which later became first U.S. operational airto-air missile.



1952 Improved gyroscopic gunsight helped pilots establish U. S. jet fighter superiority in Korea.



1952 S. S. United States keeps on course, on schedule with aid of Sperry Gyro-Compass and automatic steering system.



1953 Navy's Regulus missile, built by Chance-Vought for ship or submarine launching, is directed over great distance to target by Sperry gyroscopic controls.



1956 Sperry Gyrofin^{T.M.} Stabilizers reduce ship roll up to 90% for passenger comfort and cargo protection.



1986 Advanced Sperry gyroscopes form core of electronic flight control and bombing system for B-52 bombers.



1957 B-58 Hustler, first supersonic jet bomber, has extremely accurate Sperry navigation and guidance system.



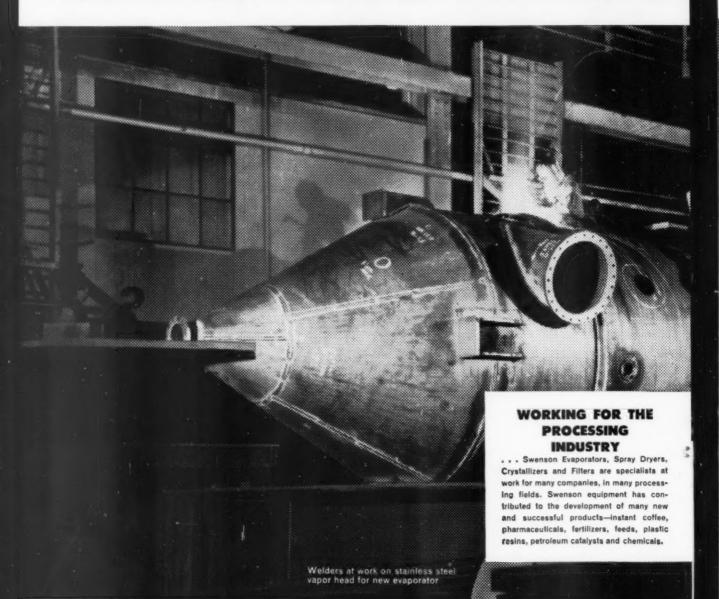


1957 Albacore, the sub that "flies" under water, has complete Sperry gyroscopic control system similar to an airplane's.

1958 Douglas DC-8 jetliner will have new Sperry gyroscopic devices are automatic flight control system to relieve pilot fatigue and increase passenger comfort. fatigue and increase passenger comfort.



WHITING WORKS FOR INTER



MANUFACTURERS OF CRANES . TRAMBEAM HANDLING SYSTEMS . TRACKMOBILES . FOUNDRY,

NATIONAL PAPER COMPANY



A large Swenson quintuple-effect black liquor evaporator in a southern paper mill. A steadfast campaigner, it provides more than a half a million pounds of evaporation per hour.

AND FOR 87 OF AMERICA'S "FIRST HUNDRED" CORPORATIONS

Longtime leader in the pulp and paper industry, International Paper Company first discovered the Whiting Corporation in 1922. Today, Overhead Cranes and Evaporators bearing Whiting and Swenson (Division of Whiting) nameplates stand as stalwarts in International's pattern for producing more—faster and at lower costs. Like so many others in the process industries, International knows it can depend on Swenson to custom-design, fabricate and service its evaporators. Indeed, Swenson's 65 years of experience is appreciated by firms large and small who regard it as a steady wellspring for the ideas that produce new and better processing equipment for now and the future.

THIS IS WHY 87 OF AMERICA'S "FIRST HUNDRED" CORPORATIONS ARE WHITING CUSTOMERS

Pocket-size and compact, the 32-page booklet, "Working for Profit in Every Industry" shows all the advantages of Whiting and Swenson products. See Swenson and Whiting equipment as used by processors of chemicals, paper, textiles, food, pigments, pharmaceuticals, petroleum, coal, and rubber. Write today for your copy.

WHITING CORPORATION

15661 Lathrop Avenue, Harvey, Illinois

Whiting Corporation (Canada) Ltd.

78 King Street, Welland, Ontario

Whiting International

30 Church Street, New York 7, New York



A recent installation for a west coast mill, this Swenson septuple-effect evaporator specializes in Kraft Black liquor evaporation. Swenson supplies more than 90% of the septuple-effect installations in use.

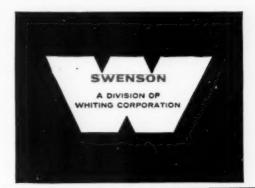


Even the heaviest, most unwieldy loads get prompt, safe handling from point to point with Whiting Overhead Cranes. Processors everywhere know that Whiting Equipment turns the most difficult assignments into easy routine.





RAILROAD AND CHEMICAL PROCESSING EQUIPMENT



"Steel Service Center inventories help us reduce our capital investment."



Mr. C. W. Bryant, Manager-Materials Service, General Electric Company

"Frequently Steel Service Center stocks help us avoid tying up our capital in unnecessary steel inventory. The annual costs of carrying inventory vary from department to department, but they are in the range of 10% to 30% of the inventory investment. Obviously this element is important.

"In addition, Steel Service Centers provide us with the immediate deliveries often required by short lead times or rapid product design changes. Since we can get prompt deliveries, we can avoid carrying a variety of stocks that would otherwise be needed to meet these conditions."

Before you buy steel, make sure you consider these "Cost of Possession" factors: (1) Capital invested in steel inventories, (2) Space for steel storage, (3) Handling and processing equipment, (4) Carrying charges: interest, taxes, insurance, (5) Inventory obsolescence, (6) Labor and handling, (7) Scrap and wastage. Perhaps you will find, like General Electric did, that Steel Service Centers can help you reduce your costs.

American Steel Warehouse Association, Inc., 540 Terminal Tower, Cleveland 13, Ohio.



The American Steel Warehouse
. . . YOUR STEEL SERVICE CENTER

FREE

this question-answering guide with your first selection and membership in the

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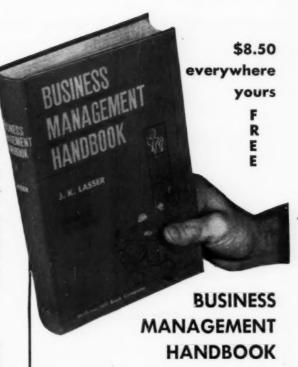
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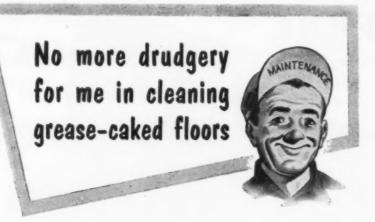
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BRANCHES IN ALL PRINCIPAL CITIES cally dissociate our company from the general sense of this article. I believe that this is necessary since the story starts with a photograph furnished by us and concludes with a direct quotation attributed to a company spokesman. Both the photograph and the quotation were given for an article which Business Week represented to us as one to be written on the organization and management of the Atomic Products Division and were not given in connection with an article of the type printed.

I have the following specific comments on the article:

 It does not accurately portray General Electric's history, attitude, or relationships in the atomic energy field.

2. It is replete with technical inaccuracies and untrue statements that could only be considered by knowledgeable people as ignorance or deliberate perversions of the facts. One specific example is mentioned of an oil-fired superheater on the Seawolf. Anyone even slightly familiar with the naval program would know that the whole purpose of nuclear submarines is to free them of dependence on air, thereby allowing them to make cruises without surfacing. It should be obvious that an oil-fired superheater was not nor could not have ever been considered in connection with such a

Your allegation that we objected to superheaters is completely false.

I single out these examples simply because many of your informed readers readily would recognize them as glaring inaccuracies.

I can best give you an indication of the depth of my feeling by saying that I believe this article is very likely to do industry substantial harm. I believe and I have said many times that in order for industry to take the atomic energy business which started as a total government monopoly and convert it to a reasonably regulated normal business requires that industry demonstrate both what it can do and that it is soberly responsible for its statements, as well as its actions. It is my opinion that the article referred to will create the impression that industry does not recognize some of these responsibilities.

I sincerely hope that you will publish this letter or otherwise inform your readers of our position. F. K. McCune

VICE-PRESIDENT ATOMIC PRODUCTS DIVISION GENERAL ELECTRIC CO. SCHENECTADY, N. Y.



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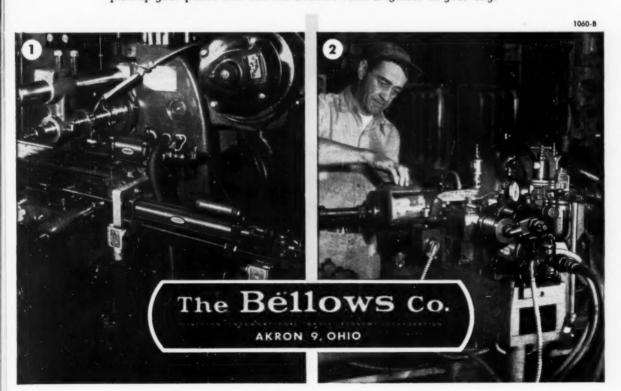
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Photo 2 is a special purpose machine built in the plant of Amesbury Metal Products Co., Amesbury, Mass., with six Bellows units to control a spinning operation. It eliminated two separate operations. Production increase alone cut costs 50%.

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Dr. Nathan E. VanStone (left), vice president and executive general manager of the Special Products Division, and Arthur W. Steudel, president, Sherwin-Williams Co. "Our Color Harmony Guide is part of our successful merchandising program," relates

President Steudel. "It's one reason why Super Kem-Tone wall paint and Kem-Glo enamel enjoy such high acceptance. A key part of this acceptance is high product quality. We expect suppliers, like Wyandotte, to help us maintain our rigid quality standards."



2 To dry its pigments, Sherwin-Williams uses a modern fin-drum preformer, which shreds the color paste into "shoestring" strips. Wyandotte, too. uses only the most up-to-date equipment in the processing of its high-quality chemicals.



3 Mixing paint at Sherwin-Williams is done on high-speed roller mills, which blend the pigment into the vehicle. Paint formulations often call for Wyandotte's Purecal,* precipitated calcium carbonate which improves brightness, hiding power.



4 The High-Shear Viscometer, developed by Sherwin-Williams, measures and gauges the brushing qualities of paint. Many Wyandotte products are used in making paints — soda ash. Carbose, bicarb, Pluronic* polyols, to list a few.



Famous paintmaker, A. W. Steudel, tells how

chemistry helps make color sing

O NE OF THE most exciting growth companies in the U.S. is the gigantic Sherwin-Williams Company. Producing everything from pigments and paints to cans and brushes, it has some 30 manufacturing plants located in 23 cities in 6 different countries.

"Research and progress in chemistry have always been vital to our business," states Sherwin-Williams President Arthur W. Steudel. "They have led us to new and improved colors, better pigments and paints.

"An outstanding example is the development of our Kem products: Super Kem-Tone wall paint and Kem-Glo enamel. These chemically evolved materials met a basic need; helped spark a new era in home decorating. With them—and with the aid of our Color Harmony Guide, which depicts 1,500 color schemes—consumers are making color sing in millions of homes throughout the country."

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Wyandotte CHEMICALS

Pacing progress with creative chemistry





5 Sherwin-Williams conducts continual exposure tests, baring painted panels to the raw elements. Wyandotte similarly tests all of its products thoroughly before giving them a final approval—an assurance of uniform quality and purity.



6 The Roller-Koater developed by Sherwin-Williams has brought new ease to home and industrial painting. Wyandotte chemicals are used in almost every industry—including glass, rubber, automobile, petroleum, and countless others, too.



7 To keep abreast of the ever-changing needs of industry, Wyandotte maintains one of the most modern research centers in the chemical business, and one of the finest technical-service departments—both staffed by skilled personnel.



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BUSINESS OUTLOOK

BUSINESS WEEK MAR. 8, 1958



The consumer is getting more and more attention as the key man in the business outlook.

The monthly letters of two New York banks—the First National City and the Guaranty Trust—both are giving him top billing this week. And neither sees substantial ground for enthusiasm.

In fact, the National City (after analyzing employment and income trends) concludes: "Until there is assurance that the bottom has been reached or until some dramatic stimulus to spending occurs, chances of a spontaneous increase in consumer expenditures appear slim."

Department store sales for February made a dismal showing.

However, the results hardly can be regarded as representing consumer attitudes truly. Bad weather played too big a part in the drop, particularly around the middle of the month.

Trends in retailing, particularly in apparel sales, rapidly are nearing the critical stage with Easter only four weeks off.

Under other circumstances, there would be more concern over this week's strike against the dress manufacturers. This could, of course, play hob with replacement buying in women's wear.

Right now, though, concern centers more on selling than reordering.

Allowance must be made, in appraising retail reports these days, for "loss of confidence" or "recession psychology."

They should not be allowed, however, to obscure more serious ills.

The level of consumer spending remains high. But, with more mouths to feed at rising prices and on smaller income, a disproportionate amount must go for food and other necessities.

Food took \$4.2-billion in January, up \$500-million in a year.

When sales of durable goods were booming in 1955, food costs amounted to 22.8¢ out of each retail dollar. Last year, setting the table required 23.8¢—and what happened to hardgoods is all too familiar.

Expenditures for food at retail last year topped 1955 by \$5½-billion. Sales of automotive products in the same period rose hardly at all.

Clothing hasn't taken so much as food has out of what consumers have left over after buying necessities. Yet spending on apparel has risen from 5.3¢ in each retail dollar in 1955 to 6.1¢ in 1957.

Consumer confidence doubtless is most significant as a factor in people's willingness to borrow in order to buy.

And, for whatever it is worth, consumers still are borrowing more than ever before. But, as 1958 started, the year-to-year margin of gain was showing a distinct tendency to contract.

In January, 1958, total new installment borrowings amounted to just over \$3.1-billion—not quite \$20-million higher than a year ago.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK MAR. 8, 1958 Yet total installment debt outstanding declined because repayments for the month ran nearly \$3.5-billion.

A reduction in outstanding installment credit in January is the customary thing, of course. People repay heavily after Christmas while, at the same time, their buying appetites have been dulled.

But it is worth noting that this year's post-Christmas dip, totaling \$368-million, was \$100-millon bigger than the one a year ago.

It was, in fact, the largest December-January washdown for any recent year (barely exceeding 1954's drop of \$367-million, although the percentage decline then was much larger due to the smaller totals).

Installment credit in use remains substantially larger than a year ago (which is the reason monthly repayments get higher and higher).

The year-to-year rise, however, has slowed down. At this time last year, the margin was \$2.7-billion; now it is only \$2.2-billion.

And there are people in the installment loan business who believe 1958 will be a year of net repayments. Dr. Ernst A. Dauer, analyst for Household Finance, says, "There is a strong possibility that 1958 will be the first postwar year in which installment credit shows a decline."

Nobody yet knows how big is "too big" for the consumer debt load. They just know it's growing, however you measure it.

Probably the best yardstick is placing the amount of installment repayments in any given year against the income people have left over after taxes. On this basis, repayments were 10.1% in 1951, 12½% in 1955, 12.9% in 1956, and a record-smashing 13.3% last year.

In 1958, payments on old debts still are rising but income is off.

Fabricators of structural steel still have a 9-month backlog at the present rate of operations (even if they were to write no new orders, whereas they actually booked 165,000 tons of new business in January).

The backlog is melting, nevertheless. From about 41/4-million tons a year ago, it had dipped under 2.8-million at the start of February.

January shipments amounted to 316,000 tons, almost double bookings.

Plywood producers are hoping their prices have touched bottom.

Numerous mills last week started quoting \$64 a thousand on the quarter-inch "index grade." But several which dropped to that price have stopped booking business at that level—a fair sign of an upturn.

Meanwhile, the ever-present problem of excess capacity is lessening for the simple reason that high-cost producers are closing widely and some of the major mills have gone to a four-day week. As usual, though, it has taken a price slash to get a real cut in output.

Weekly auto output now is running under 100,000, down from 140,000 at this time last year and close to 180,000 at 1955's peak level.

And market shares are taking a shaking up: GM got 56% of February output while Ford managed to take 29% and Chrysler only 11%.

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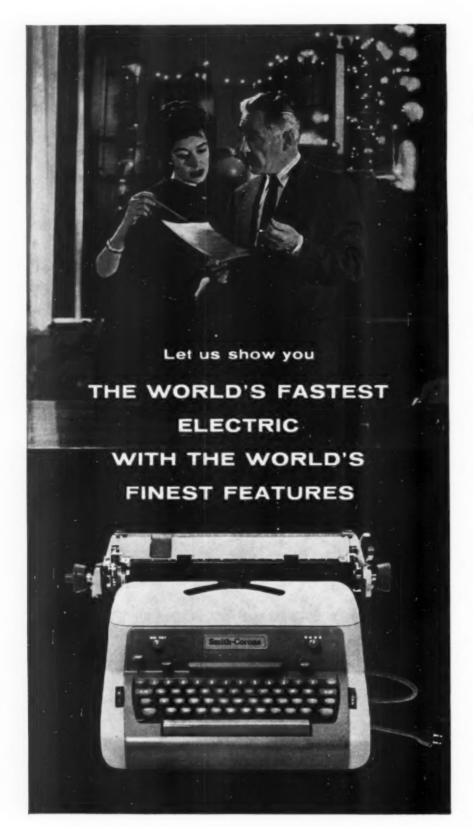
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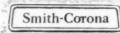
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Planning for a Longer Slump

Government planners fear that the business upturn
 when it comes—may be more gradual than predicted.

 So policymakers are huddling over plans designed to meet a more drawn out recovery.

The chance for tax cuts is still lurking, but the immediate stress is on greatly expanded public works.

Policymakers in Washington are drawing a new profile for the recession.

They do not expect the downturn to go any deeper than heretofore expected. And they still hope the decline will

halt soon, possibly by the third quarter; this would be within their original schedule, though at the far extreme.

But there is a growing feeling that the pickup—when it comes—will be slower and more gradual than anything implied when the Administration submitted its Economic Report to Congress last January.

 New Lines—The Economic Report is still the Administration's last official word on the business outlook for 1958. The White House is waiting for March statistics before it publicly reassesses the outlook. But in day-to-day decision making, the Economic Report is already outmoded. And the result is an antirecession program designed for a longer pull than originally foreseen:

The immediate stress is on more public works. The White House has relaxed some anti-spending regulations and is in the process of relaxing others. Democrats in charge of Congress are also making a pro-spending pitch, curtly ordering the Reclamation Bureau, for example, to prepare a more liberal program than the one submitted this week. Military spending is also certain to exceed the budget by \$1-billion to \$2-billion (page 25).

There is less reliance on a tax cut. Cuts are still a lively possibility. There simply is growing doubt that a tax cut by itself would have the quick, curative powers to turn the economy around.

I. New Pressures

From all this, a new budget picture emerges.

The recession is having two effects on it-declining receipts, and rising spending. A slower recovery would put the \$2-billion rise in receipts charted by the Treasury Dept. for fiscal 1959 in jeopardy. And spending could easily run \$4-billion higher than the \$73.9billion originally budgeted by the Administration.

Thus—even without a tax cut—the 1959 budget could wind up S5-billion or S6-billion in the red; a surplus of a half-billion was estimated in January.

Slower Recovery—The Administration point of view sees evidence of a slower recovery pace in industry spending for new plant and equipment.

When the year began, most observers believed this type of spending was in for some decline. The McGraw-Hill survey, for example, indicated a drop of 7% (BW-Nov.9'57,p23).

But a key factor in the Administration's forecast of a solid rise in business around midvear was its belief that spending for productive goods would begin to climb.

Next week, some light will be thrown on this forecast by the first plant and equipment survey of the Securities & Exchange Commission and the Commerce Dept. to take a look at 1958 as a whole. It is expected to show a decline for the year somewhat deeper than the 7% indicated by the McGraw-Hill study. If it also fails to show a marked upturn late in the year, the Administration will have solid reason to reeast its expectations.

Other indicators are also contributing to the new timing: the larger-thanexpected rise in unemployment in January; disappointing retail sales estimates for February; continuation of inventory declines.

• Expectations—Measured in terms of gross national product, here's what is involved in the more modest expectation for an upturn:

The Administration's Economic Re-

port and its revenue predictions implied a gross national product for 1958 in the neighborhood of \$445-billion, up from \$434.4-billion in 1957. But GNP in the first quarter is probably down to an annual rate near \$428-billion.

White House economists are now studying a profile for the year based on an average GNP of about \$432-billion, starting from \$428-billion in the first quarter and working up to \$435-billion in the fourth. The estimate is based on the expectation of a broad rise in civilian public works spending, but no tax cut.

II. Boost in Public Works

The swing to spending as the chief anti-recession policy of the moment does not rest on any profound economic reasoning. It's simply the easiest way of slipping into a more active anti-recession posture. It appeals to some officials because it can be done piecemeal, without any such single dramatic move as a call for tax reduction.

Here's what's happening in public

Housing: Democrats are giving top priority to a \$3-billion housing bill sponsored by Sen. John J. Sparkman (D-Ala.) with support of the party leadership.

And within hours of the Democratic announcement, the Administration rushed a housing bill of its own to the Senate Banking & Currency Committee. It offers considerably less by way of stimulation than the Sparkman program.

The chief difference is a proposal by Sparkman providing \$1.5-billion for direct purchase of mortgages by the Federal National Mortgage Assn. This would be in addition to an increased mortgage insurance program. The Administration wants an increased insurance program, too, but will oppose direct purchases.

Another clash looms over interest. The Democrats will gear their program to the existing 4½% rate, while the Administration wants authority to adjust rates to market needs.

The Administration package includes a number of technical proposals aimed at giving housing a boost, such as raising to \$30,000 the maximum mortgage amount on which government insurance

is available; and increasing the mortgage insurance authority of the Federal Housing Administration by \$15-billion over five years; and providing \$1.3-billion for urban redevelopment, to be expended over the next six years.

The collision over housing policy will be the first test between the White House and the Democratic leadership of Congress over the best way of checking the recession. But both sides pick it as an industry already showing signs of life, and one most likely to respond quickly to federal overtures.

Corps of Engineers Public Works: The White House has told Army engineers to start 38 new projects for which Congress voted money last year. The money has been blocked by Budget Bureau rulings since last year's economy program. These projects come to some \$850-million; the largest is \$350-million for the John Day Dam on the Columbia River.

Reclamation Bureau projects: Interior Secv. Fred Scaton has met with Republican leaders to discuss relaxation of a ban on starting new water development projects. No orders have gone out from the White House yet, but they are

expected.

Democrats are spurring on the Administration in this area, too. House Appropriations Committee Chmn. Clarence Cannon abruptly canceled a Reclamation Budget hearing this week, telling officials that their figures were inadequate in light of recession needs. Cannon told Scaton to come back with a program showing a substantial speedup.

Sen. Dennis Chavez (D-N.M.), chairman of the Senate Public Works Committee, sees a possibility of throwing \$1.3-billion additional into public works, to be spent during the 1959

fiscal year.

III. Tax Cut Less Likely

Backers of tax reduction believe their particular anti-recession medicine is being shunted to the background only temporarily. They argue that the most effective shortcut to stimulating business is still to hand out extra spending money in the form of tax cuts.

The staff of the Joint Congressional Committee on Internal Revenue has completed a study of 20 possible tax relief programs for individuals, and whatever comes up later for Congressional action is likely to be some combination of these ideas (BW-Mar.1 '58,p28). They mostly consist of familiar ideas such as increasing exemp-tions, tax credits, and lowering rates. · New Twists-But in line with current Congressional thinking, the proposals

attracting the most attention are new.

They are two different ways of passing

out massive tax cuts in a short period,

with relief to end after a stated period.

One of these plans reduces the withholding rate from 18% to 9% for six months, with a comparable adjustment at the end of the tax year for those not subject to withholding. For six months, this would cost the Treasury some \$7.2billion in revenue-more money than even the most ardent tax cutters have been talking about.

A variation of this same basic idea would double the value of exemptions for a six-months' period. This would cost the Treasury \$6-billion.

Tax Bonanza For Local Governments

Federally owned land, buildings, or materials used by private business for profit are no longer immune.

State and local tax assessors this week got a handsome gift from the U.S. Supreme Court-decisions, in three related cases, that they can collect taxes on billions of dollars worth of federally owned property, hitherto kept off their rolls by the constitution.

In effect, the rulings say:

· Real property taxes can be levied at full value on federal land or buildings used by private business-whether for government contracts or their own pur-

· Personal property taxes can be charged private contractors for all govcriment-owned materials in their hands -raw materials, work in process, parts, durable and nondurable tools, and in-

· Expensive-The companies involved will be assessed for the taxes, but there's no doubt that most of the added cost will be shifted to the federal government. That's why it joined the companies in arguing that such taxes isolate the constitutional principle that federal property is immune from state taxation.

The high court's decisions may cost the Defense Dept. as much as \$250million more a year just to cover the personal property levies on governmentinventories. Los Angeles County, which has its own tax on these inventories, has been collecting \$20million a year from defense contractors this way-though the legality of the tax is being contested in the courts. In 1953, the Budget Bureau estimated the value of all federally owned materials held by private contractors at \$4-bil-

The real property tax should be a hometown bonanza, too. In defense work the percentage of governmentowned plants is very high. In aircraft and related production, for instance, two-thirds of the plants used by the 12 major private companies are owned by the federal government. An educated guess would put their original cost at well past \$860-million.

· Murray vs. Detroit-The test cases on which the court ruled all arose in Michigan. Here's what they involved and what the court decided:

On personal property, a personal

property tax levied by Detroit and Wavne County was at issue. In applying this levy, the state and county taxed all the parts, materials, and work in process acquired by Murray Corp. of America in performing a government subcontract for airplane parts. Under the contract, title to the items passed to the federal government as it made payments on the work, though Murray retained possession. Together, Murray and the government protested the inclusion of the federal property.

Justice Hugo Black, ruling for the court's 5-4 majority, said the tax was a "levy on a private party possessing government property that it was using or processing in the course of its business." Applied on all personal property throughout the state, the tax is not discriminatory against holders of federal property and thus not unconstitu-

tional, Black held.

On real property, the issue was a 1953 Michigan law that requires a private party to pay taxes on otherwise tax-exempt real property if he uses it in a business conducted for profit. Detroit invoked this statute against Borg-Warner Corp., which leased a government-owned plant for its own use; Muskegon did the same with Continental Motors Corp., which was using a federally held plant to fill several government supply contracts.

The court voted 7-2 to reject the appeal of the two companies and the government. Justice Black ruled that the tax was merely one imposed "on a party using tax exempt property for its own beneficial use and advantage."

In all three cases, Black declared, it made no difference that some or all of the tax burden might fall on the federal government. Of course, he added, Congress is free to "confer immunity by statute where it does not exist constitutionally.

· Easy to Follow-Attorneys think localities can now impose a tax similar to that in the Murray case without even changing the wording of existing personal property laws; at most it appears that only minor changes in both personal and real property tax laws would be needed to take advantage of the ruling in the Michigan cases.

The Step-by-Step Growth of Military Funds

DATE	ACTION	FISCAL 1957-58	FISCAL 1958-59
January, 1957	Requested in budget	\$38.5-billion	
August, 1957	Voted by Congress	35.3-billion	
OCTOBER •	SPUTNIK	SPUTNIK	SPUTNIK
January, 1958	Supplemental funds requested by Administration for Strategic Air Command, missiles, warning systems	1.3-billion	
February, 1958	Voted by Congress	1.3-billion	
January, 1958	Requested in budget		\$39.1-billion
NOW	Additional budget request now being drafted for SAC, missiles, A-powered subs, space		2.0-billion
	TOTAL VOTED TO DATE	\$36.6-billion	

Pentagon Goes Back for More

The military is returning to Capitol Hill to plead for some extra cash, needed to finance advanced weapons and research for the new space age.

As the table above makes clear, the estimate of defense spending has been going up ever since the surprise of the first Soviet Sputnik launching in October. Appropriations that seemed adequate before have been increased once; now another hike is due.

It was only two months ago that the Defense Dept. asked Congress to give it \$39.1-billion in the budget for fiscal 1959, and already the Pentagon planners are rushing into readiness a request for roughly \$2-billion more. If Congress goes along with the request, this would push next year's defense outlays past the \$41-billion mark for the first time in six years.

How Much for What?—The Pentagon has yet to fix the exact amount it wants to add to the figure for fiscal '59.

However, as it shapes up now, the request is likely to include funds for these projects:

Continued production of Boeing's B-52 heavy bomber and KC-135 jet tanker, both of which will stop coming off assembly lines by the end of 1959 under present schedules. This

would bolster the Strategic Air Command until intercontinental ballistic missiles take over.

 Construction of at least three S80-million atomic-powered submarines armed with the Polaris intermediaterange ballistic missile—and a stepup in production of Polaris. The Navy has funds to build three such subs and long-range plans for at least 20.

 Development and launching of space vehicles and satellites. The new Advanced Research Projects Agency has a stack of proposals from the services for space programs—notably, rockets to the moon, reconnaissance satellites, and manned flight in so-called "boost-glide" rocket vehicles.

 Development of the Air Force's Minute Man, a solid-fuel ICBM authorized by the Pentagon last week. The Air Force is selecting a weapons system contractor to direct the project, and several companies are vying for the propulsion system subcontract. The guidance system is likely to be an advanced version of what has been devised for the Atlas and Titan liquid-fueling ICBMs.

 A speedup of the Air Force's Martin Titan ICBM—with special emphasis on finding liquid propellants that could be handled and stored more easily than the liquid oxygen now used in long-range rockets.

• A boost for the Nike Zeus antimissile missile, a joint project of Bell Laboratories and Douglas Aircraft. Nike Zeus has been on the Army budget, and funds have been sorely limited. But last month the Defense Dept. canceled the Air Force's competing RCA-Convair Wizard and put Nike Zeus under ARPA. Grand Central Rocket has a contract to make a solid-fuel engine for the missile.

• Construction of more ICBM bases. Presumably, existing Air Force installations would be converted into underground ICBM launching sites. Mountain sites figure in the planning.
• And Another Year—Looking ahead to fiscal 1960, the three services have put together preliminary budget estimates—BUSINESS WEEK learns—totaling \$49.6-billion in new funds.

These plans call for \$19.7-billion for major procurement and production, compared to \$13.4-billion in the current appropriation request. The increase breaks down this way: \$3.8-billion more for manned aircraft, \$300-million more for missiles, \$600-million more for shipbuilding, and \$600-million more for research and development.

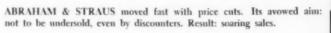
Bargain Hunters Have a Heyday



MACY'S NEW YORK pulled in bargain hunters. Some customers held back, waiting for the next slash as the price tags shifted



DISCOUNT HOUSES such as Masters were mobbed, with fresh stocks rushed in to fill gaps. "Biggest Saturday since Christmas," Masters says. Customers were three and four deep at counters.





As GE Gives Up On "Fair Trade"



almost every hour.

When General Electric Co. gave up "fair trade" on its small appliances last week, it let loose an avalanche that is still rolling. In short order, Sunbeam, Toastmaster, Ronson, Schick, Royal McBee, Smith-Corona, and Waring Products abandoned fair trade, on some products at least.

In some cities, price wars flared immediately. In others, initial reaction was faltering, but by midweek the itch to hack prices appeared to be spreading. Discounters were usually the first to snip down the price tag. Appliance dealers perforce had to go along. Many department stores got in on the fun, and supermarkets such as Grand Union, and variety stores were cutting prices as energetically as the rest.

• Few Holdouts—The extent of the price cuts ranged all over the lot. In New York, response came fast, with initial cuts of around 30%. These soared to 40% and more in such stores as Masters, Inc., discounter, and Abraham & Straus, department store. In Philadelphia, some cuts of 50% were reported. Milwaukee was another city where cuts started conservatively; but this week, prices reportedly dropped further, till they bumped into the state floor of a 6% required markup.

But even in New York, there were some holdouts. Hammacher, Schlemmer, swank specialty shop, was sticking to GE's suggested list.

The market responded variously, too.

The New York price cutters found customers waiting with open arms. Bostonians were buying three appliances at a time. San Franciscans, on the other hand, weren't stirring their stumps much. In Chicago, where the discounter has long flourished, consumer response was unexpectedly light.

• Death Knell?—Few people were bet-

beath Knell?—Few people were betting how long or how far-flung the price cutting would prove. Stephen Masters, president of Masters, Inc., hazarded a guess that the ruckus might last two or three months under the prodding of new defectors from fain trade. But more important questions were pressing on manufacturers and retailers alike:

Is this the end of "fair trade"? Who, if anyone, is going to

The proponents of resale price maintenance quickly marshaled their forces to answer the first question negatively. Dr. John W. Dargavel, chairman of the Bureau of Education on Fair Trade and executive secretary of the ardent fair trade group, National Assn. of Retail Druggists, stated that GE's decision has "made more imperative the enactment of H.R. 10527, the federal bill that would extend resale price maintenance on a national scale to all forms of distribution."

There is no doubt that there is new steam behind efforts to get the bill through. This bill, recently introduced





SMALL APPLIANCE STORES like Boulevard Radio & Television, on outskirts, slashed prices, too. But the crowds headed for the big stores.

to a House committee, would establish fair trade on a national level. It would do away with the whole business of signers and non-signers of price maintenance contracts by eliminating fair trade contracts. Manufacturers of trade-marked merchandise would simply notify their distributors in a given area of their resale price.

The fair traders are trying to show that fair trade's end would toll the knell for small business. Last week, the bureau cited data from a Dun & Bradsteet study to show that failures of appliance stores rose between 1954 and 1957 in non-fair trade states, while failures declined in fair trade states

during the same period.

 Here to Stay—If such a trend should grow measurably the fair traders might have a case. Short of such disaster, its chances of revival are slim. In recent months, the tide has been definitely

running out.

This was, in fact, the primary reason for GE's action. The company insists that the present state of the appliance business—which it describes as "spotty"—had nothing to do with its timing. Three states threw out their fair trade laws last year; Ohio canceled out about a month ago. This cuts the number of fair trade states to 31. And the Supreme Court's ruling in the GE-Masters case, allowing consumers in a fair trade area to buy at discount through the mail, made adherence to maintained prices far tougher.

• No Comment—GE refuses to comment on what action it would take if a federal law were passed. In theory, GE still stands behind the fair trade principle. Primarily that is because its price structure is particularly vulnerable, since small appliances have been favorite loss leader items to lure customers to stores. But GE will say only that whether it would go back to fair trade under new legislation would depend on the kind of law it was.

• Blow to Discounters—If fair trade is dead, what then? Here, opinion is

divided.

Many department stores feel that this spells the death of the discount house, too. For one thing, customers no longer have a set price that tells them how big a bargain a discounter gives them.

More important to the department store is the fact that it is now free to set its own price on goods with a strong

brand appeal.

A Philadelphia retailer says, "Elimination of fair trade pricing will allow us to price GE goods realistically and competitively." Another adds: "Abandonment of fair trade will trigger price wars, but on the other hand, we are glad to be out from under its restrictions."

The department stores feel that now

they are free to battle the discount house at the discount level. Abraham & Straus is aggressively out to meet the competition. It can afford to, a spokesman says. Appliances represent only a small portion of a department store's total sales. According to the Federal Reserve System, major appliances accounted for only 2.1% of total U.S. department store sales in 1956; housewares, including small appliances, accounted for another 3.7%, and radios and TV sets, 1.3%.

• Skimpy Umbrella—In spite of all this, most discounters were jubilant. "All it means is that now we can sell an important brand," one big discount

store savs.

Furthermore, Stephen Masters last week pointed out that the fair trade umbrella, which is supposed to have built up discount sales, has been a pretty skimpy object for some time now. Major appliances have been off fair trade for months; many small appliances have, also. Yet the discount house has continued to grow. As long as they stick to fast-volume, low-overhead operations, they can stay in the running, discounters argue.

They admit that competition will be rougher. Retailers right now are lamenting the "chaotic" price picture. But some find rueful balm in the point made by a chain store president, "Business stinks anyhow. We don't lose any more by selling below cost than

by not selling at all."

• The Pinch—Undoubtedly, the small appliance dealer will find any stepped up competition rougher—and some are lamenting the loss of fair trade prices. But this will merely accentuate the trend of the past few years, when small retailers have increasingly felt that the battle was going to the big ones. The small discount house is likely to run into the same trouble.

One place is bound to feel a pinch. That's the private label business. In many cases, the private label was a manufacturer's answer—or a retailer's—to fair trade prices. "Private labels have sold on price," a department store official comments. "Now what do they

have to sell?"

• Tempest in a Teapot—The immediate price war repercussions will gradually settle down; in some cases, they are likely to prove no more than a tempest in a teapot. This is the standard pattern for states that had fair trade laws, then gave them up. Thus, in Cincinnati, price cutting raged shortly after Ohio's law got the boot. Now, says a retailer, prices have stabilized at about 20% off list. Buying, too, has stabilized, he notes a bit grimly. "Right down to nothing."

In the long run, what GE has done is to hasten the inevitable. Most retailers seem to accept its action on this basis. Resignation of Richard A. Mack (right) from FCC ends a stormy chapter—but it's only the first one.

The House Committee Chmn. Oren Harris (far right) still has a boxful of charges to sift.

And in background are the basic questions about regulatory agencies his committee was set up to find answers for.

Mack's Exit

This week Richard A. Mack-a handsome and genial 48-year-old Floridianfinally gave up. Under critical fire for two weeks in Washington's newest scandal, he resigned his \$20,000-ayear job as a commissioner of the Federal Communications Commission.

Mack's resignation, which Pres. Eisenhower eagerly accepted, settled very little—except to make one thing clear: The lid has definitely been pried loose from the Pandora's box of charges bequeathed to the House Subcommittee on Legislative Oversight by its ousted counsel, Dr. Bernard Schwartz.

Instead of the hasty attempt to glue on the lid that cynics had predicted, the contents of the box are aimost sure to get a thorough examination. And there are indications of more spectacular chapters of the subcommittee's career still in the future—even though Schwartz' case against Mack may prove the most damning against any individual.

• FCC on Spot—The FCC, as regulator of the radio and TV industry, is in a tough spot right now—for the House inquiry will focus on it for a long time. Four of the six remaining commissioners, including Chmn. John C. Doerfer, come under Congressional suspicion that they have been overfriendly, at least, with the industry they regulate.

This week, despite its demoralized state, FCC began hearings on the so-called Barrow Report (BW-Oct.12'57, pl13) proposing drastic changes in FCC treatment of TV network operations. Earlier, however, in an ironic display of capitulation to Congressional pressure, FCC abandoned plans to start a three-year test of pay TV.

In the Background

Beyond the FCC inquiry, the House investigation faces more large problems, all important and





Just Starts the Story

none yet seriously touched. Other independent regulatory agencies—the Civil Aeronautics Board, Interstate Commerce Commission, Federal Power Commission, and so on—face a going-over. The recurring and still unanswered question is how these regulators can be insulated from pressures by the industries they regulate, by Congress, and by whatever Administration is in power.

I. How It Began

Mack's widely chronicled downfall stems from loans and other favors received from Miami attorney Thurman A. Whiteside. Many facts and interpretations are still in dispute, but the record shows:

Whiteside lent Mack about \$2,-650 even after he was appointed a Democratic FCC member in 1955.

Whiteside at least "spoke to"
Mack in behalf of Public Service TV,
Inc., which won-by a 4-3 FCC vote,
with Mack on the majority side—
the license for a contested Miami TV
channel after a hearing examiner had
recommended that it go to a competitor.

 Mack also received from Whiteside-apparently as gifts-beneficial interests in two insurance firms, at least one of which did business with National Airlines, the parent of Public Service.

Mack denies wrongdoing, but concedes that "perhaps I should have been more careful in the handling of personal affairs."

• Tangent—The curiously named subcommittee, under Chmn. Oren Harris (D-Ark.), that went into these affairs was the brainchild of Speaker Sam Rayburn. He defined its purpose as to determine whether "the laws as intended by Congress were being carried out or whether they were being repealed or revamped by those who administer them."

It appears that Rayburn had in mind a scholarly, high-level inquiry into the agencies—out of which the Democrats could mine campaign charges about Republican appointees cozying up to businesses they were supposed to regulate.

Whatever Rayburn—or the subcommittee itself—had in mind, they reckoned without Special Counsel Schwartz' fascinated interest in any suggestions—no matter how trivial they seemed—of "personal official misconduct" among the regulators.

II. Regulators: What Are They?

Chmn. Doerfer of FCC, one of the first to be put under a cloud by Schwartz, has done some deep thinking about the role of the regulatory agency. He sees two conflicting concepts.

He sees two conflicting concepts.

The first: that the agencies are a "fourth arm" of government—a union of the judicial, legislative, and executive.

The second: that the agencies, as Doerfer puts it, "were created because practical men were seeking practical answers to immediate problems in a highly complex society," and that the administrators should be "practical-minded men trying to find practical solutions to the development of various regulated industries in our modern economy." Doerfer leans to this view.

• How Close?—Schwartz pointed an accusing finger at Doerfer because he accepted honorariums and transportation tickets from the radio-TV industry.

items for which, in at least some cases, he also billed the government via expense account. Doerfer has admitted some bookkeeping slipups in the double collections, but he maintains that business and social contact with the radio-TV industry is essential if FCC is to regulate from knowledge.

Nevertheless, there is strong sentiment in Congress to "insulate." the regulators by stern legislative measures. Most proposals would impose prison terms and fines on anyone putting extra-legal influence on agencies, even by so nebulous a means as undue attention or hospitality.

Millions at Stake-Some such measure is likely to be adopted.

The reason is simple. The agencies dispense decisions that can mean millions of dollars and, occasionally, life or death to a business enterprise. For example, the Miami license won by the National Airlines subsidiary is conservatively estimated to be worth \$1-million. And when FCC began hearings on the Barrow Report this week, the networks opposed virtually every proposal on the ground that they would damage the nets financially.

Pres. Leonard Goldenson of American Broadcasting Co., for instance, said that if FCC limited network ownership to three TV outlets among the top 25 markets, ABC would be eliminated "as a competitive network."

III. The Future

By some estimates, the subcommittee will be investigating FCC six more weeks; by other guesses, six more months. Questions of Congressional pressure are also raised.

• Next, CAB—After that, the next likely target is the Civil Aeronautics Board. Schwartz accused the White House—in the person of Presidential Assistant Sherman Adams—of going to the CAB for guidance (subsequently relayed to a private attorney) on how North American Airlines, a nonscheduled carrier, could delay a CAB order to go out of business.

Col. Harmar Denny, acting chairman of CAB at the time, has denied ever discussing the case with Adams; but Schwartz insisted he found a letter on the topic from Adams to private attorney Murray Chotiner, one-time political aide of V.-P. Nixon.

• Showdown—All this suggests that, if Congress has the stomach for it, the most spectacular chapters in the subcommittee's stormy history could be somewhere ahead—in a showdown with the White House on the question of privileged executive communications.

Some cynics think the Democrats in Congress would not be unhappy if their investigation ultimately foundered on this question of privilege.



GARMENT DISTRICT focuses in a dozen blocks-south of Times Square, between Sixth and Ninth Avenues.



DAVID DUBINSKY, chief of ILGWU, walks out of lastminute meeting with employer associations and mediators.



UNION HEADQUARTERS prepared for a strike-posters, handbills, sound trucks-as soon as negotiations showed signs of collapse.

Garment Workers Strike, But

Twenty-five years of labor peace in the dress industry blew up this week in a walkout by 105,000 workers in seven northeastern states, a strike that also put at least 25,000 others out of work.

At 10 a.m. Wednesday, an army of 40,000 workers straggled in holiday mood from Manhattan's garment canyons to Madison Square Garden, 10 to 20 blocks north. They listened to harangues by union officers, then broke up into sidewalk groups to chatter in Yiddish, Italian, Spanish, and garment-center English. After that, the picketing began.

Mass meetings and picketing also marked the opening of the strike in New Jersey, Pennsylvania, Delaware, Connecticut, Rhode Island, Massachusetts, and upstate New York.

· Good Show-As a demonstration, the

strike began strictly as planned by officials of the International Ladies Garment Workers Union. But as a strike, it lacked the fire of ILGWU's battles of a generation ago. No one seemed very mad at anyone else. Even before the strike deadline, the union and employers were paving the way for a settlement.

A stumbling-block was set aside when the Pennsylvania Garment Manufacturers Assn., which had bolted from the New York employer associations, announced after meeting with ILGWU leaders, that it would cooperate with the rest of the industry and the union in seeking uniformity in labor costs.

in seeking uniformity in labor costs.

• Potential Trouble—Statistically, the strike held a dangerous potential. The seven-state area produces \$1-billion worth of dresses a year. That's 100-million dresses, 72% of all dresses that

are wholesaled individually (in contrast to those that are sold by the dozen). There are 2,286 employers—736 manufacturers and jobbers, all in New York City; 1,550 contractors, 917 of them in the city and the rest scattered through seven states.

In practice, however, leaders of the union and of employer groups revealed a harmony of viewpoint and aim would be startling in most industries and the real pivotal issues of the strike lay far below the surface demands about pay and holidays.

• Statesmanship—The powerful ILG-WU (assets \$35-million) occupies a unique position as promoter and policeman of an industry made up of myriad small shops. ILGWU Pres. David Dubinsky (picture) was hailed as a labor statesman in 1955 when he forestalled wage increases because of the industry's



LIKE KIDS out of school, New York workers leave their benches and swarm half a mile northward for Madison Square Garden rally.

Nobody Is Very Mad at Anybody

ill health at the time. Since a brief 1933 strike, the union has kept the peace, not only with employers but also among employers.

And there, insiders say, is the crux of this week's walkout.

· Wage Issue-Before the strike, the union scaled its wage demands down from a 22% package, including a straight 15% wage increase, to a 15% package. The industry, through its three associations of jobbers and two of contractors, declared itself adamant on a "final" offer of a 5% increase. But spokesmen for employers also talked sympathetically.

"I believe it is possible to work out a compromise on economic demands,' says Louis Rubin, executive chairman of the jobbers' Popular Priced Dress Manufacturers Group and chief spokesman for the employers. "There is that justification in the increased cost of

"They're entitled to an increase," says N. Boriskin, executive director of the contractors' United Popular Dress Manufacturers Assn. "We have no quarrel with the workers."

However, Dubinsky warned that as soon as the strike deadline passed, the economic demand went back up to a 22% package.

· Collective Bargaining-The real issue of the strike, as insiders see it, lies in enforcement of the contract-the area in which the union polices the employers' adherence to a complex set of piece

"We've got to take a broom and clean up after 25 years," says Julius Hochman, manager of ILGWU's Joint Board of Dress & Waistmakers' Unions.

The majority of employers blame the

union for lax enforcement of the price settlement system; the union blames evasion and falsification by a minority of employers. Here's how it happened:

The manufacturers and jobbers are all in New York, where they maintain design staffs, showrooms, and varying degrees of production work. Some manufacturers do most or all of their own production. They are the so-called inside shops. The jobbers cut the dress goods to pattern but turn the goods over to contractors for sewing, trimming, pressing, etc.

Under the union contract, these contractors must be registered with the union, and each jobber must deal only with certain contractors. Prices are worked out between the jobber and the union's price settlement committee according to a set price for each operation in making a dress. This is adjusted to reflect the selling price of the garment. The labor price for each operation is entered on a sheet that goes to the shop chairlady (80% of garment workers are women) in the contracting shop.

The jobber pays the contractor the total of these labor costs, plus a guaran-

tee of 35%.

• Regional Differences—In the 25 years since this industry pattern was established, a wide differential has sprung up among contractors outside New York City, reflecting lower wages paid in outlying regions. The contract enforces a 10% differential on certain operations between the city of New Jersey, though a manufacturer says the over-all difference on a dress is as low as 3%.

The biggest difference has grown up between New York City and the former mining areas of Pennsylvania, where many contractors have moved to take advantage of cheap labor. According to the latest Bureau of Labor Statistics figures, an operator's hourly earnings average \$2.04 an hour in New York City but only \$1.14 in Wilkes-Barre and Hazleton, Pa. An economist estimates the average differential between the two states at 20% or more.

This gripes contractors in Manhattan, who say the union has slighted enforce-

ment in Pennsylvania.

 Putting the Pressure On—At the same time, the union claimed to be doing all it realistically could do, short of a strike, to enforce the rules. Now comes the strike, labor people say, to clear the air, pave the way for a tightening of the rules without seeming to discriminate against any locality, and to build up solidarity among the union members in all areas.

Besides the five employer associations, the union has long dealt separately with independent jobbers, some of whom are the largest producers in the industry. The number of independents was momentarily swelled to 80 by resignation of 50 jobbers from the associations, and the Pennsylvania bolt by 180 contractors before the strike offered another negotiation problem.

A Pennsylvania differential will undoubtedly continue, but observers predict that the coal regions' competitive

edge will be dulled a bit.

• Shortage of Chemises?—The strike seems chiefly for moral effect rather than over serious difference of opinion, and if it proves short, there should be no shortage of Easter finery. It would take a shutdown of two weeks or more to cut supplies of chemises.

Garment shops saw little rush to beat the strike deadline and textile houses found their material piling up, uncalled for. But manufacturers are already producing for summer wear, and even a week or two of delay might delay showings of the summer lines as well as hold up reorders for Easter sales.

Proxy Fight Looms at Kress

In latest round of the Kress vs. Kress battle, Kress Foundation announces that it will solicit proxies in an attempt to "protect its investment" in Kress variety chain.

Problems created by large corporate stockholdings of foundations, pension funds, and investment trusts got public notice last week, when the private war between trustees of the S. H. Kress Foundation and Rush H. Kress, chairman of S. H. Kress & Co., erupted into an official proxy fight (BW-Feb. 22'58,p36).

Crux of the battle is: How far can a foundation intervene in the management of a company in which it has a

heavy stock interest?

• Test—The case probably marks the first time a foundation has openly tried to change management policies in a company in which it owns a large or even controlling block of stock.

The Kress Foundation owns 42% of the outstanding stock of the variety chain, most of which was turned over by the founding Kress family. Legally, the foundation has the right to vote the stock. In practice, it has always turned its proxy over to management.

The issues involved in the current proxy battle are uncommon and revolve around some outstanding business personalities. On one side stands Rush Kress, 80, surviving brother of the three who founded the company. Opposing him are trustees such as Keith Funston, president of the New York Stock Exchange; Frank M. Folsom, chairman of the executive committee of Radio Corp. of America; and Dr. F. D. Murphy, chancellor of the University of Kansas—a group that can hardly be categorized as "raiders."

But the potential for similar flare-ups in other foundation-company relationships is always present. In the majority of cases, the foundations or trusts have all normal stockholder rights—although they rarely exercise them.

 Court Bound—In the Kress case, no matter what happens in actual balloting, the issue will probably go to the courts. Two questions come up:

Are the trustees of any charitable or other special-purpose foundation responsible primarily for the proper disbursement of the income it receives, or are they also obligated for the proper maintenance of the income itself to the extent of controlling or influencing the source of that income?

If a foundation attempts to control the source of its income, is its taxexempt status endangered, even though the foundation itself continues to be a non-profit organization?

· Facts-Although both sides in the

current hassle have filed 14-B statements with the Securities & Exchange Commission, neither is ready to talk. But these seem to be the facts:

The Kress Foundation was formed by Samuel H. Kress to help dispose of his vast art collection and to make grants for medical research. Its assets consist mostly of company stock turned over by various members of the Kress family. Last year, the company reduced its dividend from \$3 to \$2 annually—and so cut the foundation's income by a third.

Actually, the company has one of the highest profit margins in the variety chain field. In 1956 (later figures are not available) its net ran 4.9% of sales, compared with 4.3% for both F. W. Woolworth and G. C. Murphy chains, and with 3.9% for S. S. Kresge Co. Earnings were \$3.48 per share. But it appeared that the company was slipping competitively. Its 1956 volume of \$167-million was a bare shade over the \$165-million marked up in 1948—while in the same period its competitors show sales gains ranging from 25% to 50% annually. For 1957, Kress sales slipped another 5.4% to \$157.5-million.

As most chains branched out with new stores in the fast growing suburban areas, Kress stuck to its policy of key downtown locations. Although margins have held up better than those of competitors, actual profits for Kress have dipped—from \$12.8-million in 1948 to \$8.2-million in 1956, and down again last year.

 Mutiny—But the company is in solid shape financially. It has no debt nor preferred stock. It was Rush Kress' conservative insistence on paying for the modernization of stores out of earnings that caused the dividend cutback.

Meanwhile, outside stockholders have been getting restive. They've watched static sales, declining profits, capped by a dividend cut. The chairman and president never showed up at a stockholder meeting, and Kress is one of the few listed companies that has never solicited proxics. With the foundation's 42%, plus approximately 10% held or controlled by management, wrapped up, interests of other stockholders were secondary.

The trustees of the foundation, stimulated both by outside stockholders and the trust's own declining income, had been quietly suggesting changes. Two concessions were obtained last year—that in 1958 the company would

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Just recently, he got a rush call from a policyholder whose new process for bleaching was giving off irritant fumes. Using scientific tests and ingenious detective work, he tracked down the gas from several "suspects." A properly designed ventilating system quickly solved the problem—and the manufacturer went into full production without losing a day's time!

The Industrial Hygienist is one of many $\Lambda_{\mathbf{M}}$ men who help set up loss control programs that save lives and limbs—and cut production costs.

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Fafnir Bearing Co., another A_M policyholder, saved \$363,274 in 7 years through lower insurance costs due to good safety experience—plus substantial dividends! insurance premiums, plus dividends. See your friendly AM man now! American Mutual, Dept. BW-3, 142 BerkeleySt., Boston 16, Mass.



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solicit proxies and that the president, C. C. Trammell (but still not Chmn. Rush Kress) would attend the meeting.

But the trustees want even more radical changes-including more aggressive merchandising and expansion, and a changed board of directors of the company. Last fall they warned that if no changes were made, they might vote their stock directly instead of turning it over to management.

· Kress' Stand-Rush Kress turned down the recommendations with a reminder that there was a tradition of "non-interference" by the foundation in the affairs of the company. The trustees continued pressing, and late last year passed a resolution looking toward soli-

citation of proxies.

Kress retaliated by citing one of the trustees, Harold H. Helm, to the Fedetal Trade Commission for a possible 'conflict of interest" judgment. Helm, chairman of the Chemical Corn Bank of New York is also a director of Woolworth. Kress followed up with another blunt "suggestion" to the rest of the trustees: Since his family's money had created the foundation, and since most of the trustees were there at his invitation, he was now "inviting them to resign." Helm did resign so the question of conflict of interest would not obscure the argument. But six of the remaining eight trustees still oppose Kress, declined his "invitation."

· Mobilization-Last week, the foundation filed 14-B forms with SEC affirming its intention to solicit proxies, which it will vote for its own slate of nominees "with a view to protecting its investment in the company." The probable candidates: Funston, Folsom, Paul L. Troast, another trustee, and two "outsiders," Stanley F. Teele, dean of the Harvard Graduate School of Business Administration, and Stanley C. Hope, president of Esso Standard Oil

Kress countered with a letter to all trustees that since "your resignations are not forthcoming, I have instructed my attorneys to take whatever action may be necessary . . . to hold the trustees personally accountable for whatever damage the foundation . . . may sustain .

If the situation does develop into a fight to the end rather than a compromise, there's little doubt about the outcome. The foundation's 42% block would probably be more than enough to sweep the field by itself. Also, some outside stockholders, resentful of cavalier treatment and reduced dividends, would probably join the foundation side to supply a full majority. Under any condition, Kress will probably bring court action to clarify foundation rights in such a situation-and any decision will have an effect on every other foundation in the country.

A Catch In UAW Layoff Plan?

Detroit is beginning to suspect hidden strategy behind Auto Workers' proposal to lay off workers rather than to reduce the length of the work week.

For years, unions advocated a sharethe-work policy in times of slack production. They pressed employers to reduce the work week to avoid having to

lay off workers.

Times have changed. This week Chrysler Corp. laid off 6,000 employees in Hamtramck, Mich., at the urging of the United Auto Workers. The object was to assure the remainder of its work force close to 40 hours of work

About a week ago, UAW similarly urged General Motors to adjust to lower production levels through lavoffs based on seniority rather than a shorter week for all employees. Other auto companies have received this proposal where and when talk of curtailing opera-

tions was heard.

· Result of SUB-The proposal to "work seniority people 40 hours and lay off the rest" is a direct outgrowth of UAW's supplementary unemployment benefits agreements negotiated in 1955. The union plan would not be popular with members-or feasible-ex-

cept for SUB.

Under present UAW contracts, workers on a short week collect no benefits from SUB. Their reduced paycheck is all they can count on. On the other hand, laid-off workers are quickly eligible for state unemployment compensation plus \$25 a week in SUBenefits from their employer. This figures out to roughly 65% of normal take-home pay-or as much or even more than the recipient might earn on a short work

UAW's reasoning therefore seems obvious: High-seniority people restored to a 40-hour week can get more money under its layoff plan, while those with low seniority lose little or no income while they are idled.

Taking a broader view, UAW spokesmen say the union's plan means "a lot more in dollars and cents to the communities" in which auto plants are located.

· But-Is it That Simple?-The question being asked in Detroit this week is a blunt one: Is UAW's real reason for pressing for layoffs at Chrysler, GM, and other auto companies the

For several reasons, the layoff plan isn't advantageous for the auto union. Members who aren't working pay no dues-even if they are collecting UC and SUBenefits. They can't be assessed for the UAW strike fund. And. important for the union on the eve of difficult 1958 bargaining, those on indefinite layoff status aren't good prospects to back up a strike; a worker whose union strikes must forfeit-for the duration-UC and SUBenefits.

So, is UAW being altruistic in placing before management at bargaining time a layoff plan that is recognizably disadvantangeous? Or, is hidden strategy

There is a growing inclination in Detroit to believe the latter.

· Lever for More SUB-Some see the auto union's willingness to press for lavoffs-not work-sharing-as a move to set the stage for bargaining for larger and longer SUBenefits. UAW has made it clear that "improvements" in its three-year-old supplementary unemployment benefits plan is a key demand for this year.

They see the lavoffs arrangement as a stalking horse for a bargaining demand that hasn't been revealed vet, even to UAW's rank-and-filers-one perhaps connected in some way with the union's profit-sharing demand, which received further endorsement this week (page

· Chrysler Agrees-Whatever the reason, Chrysler's Pres. L. L. Colbert accepted the UAW proposal at a conference Monday with Walter Reuther. Afterward, Reuther said he was happy that many in Chrysler plants who had been working only two days a week would be able to earn a full 40 hours'

The conference between Colbert and Reuther and other top company and union officials had other problems before it. One was an old, tired issue: work standards (BW-Mar.1'58,p98). It came up a year ago and was settled

in precisely the same way.

UAW agreed to join the company in an immediate effort to work out job adjustments or changes in methods, products, or processing to be made where the company shows that the work performance of its employees is behind that of UAW members in GM or Ford plants, or where the union demonstrates that Chrysler work standards are too high.

During the war years and just afterward, Chrysler got far behind competitive manufacturers in work standards. It has been trying for three years to modernize its policies, and has been succeeding slowly-tightening up a

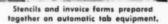
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In Business

Ohio Court Upholds Integrated SUB Plans **But State Will Appeal Labor Victory**

Supplementary unemployment benefits plans were upheld this week by a state court in Ohio-the most important of four states in which integrated SUB and unemployment compensation have been banned. However, labor's fight for SUB isn't fully won. Its victory is being appealed.

The Ohio ruling for SUB came Wednesday in a "friendly" suit brought by the United Steelworkers against four major steel producers with SUB contracts and James R. Tichenor, head of the Ohio Bureau of

Unemployment Compensation.

Last July, Tichenor barred the simultaneous payment of state and private unemployment aid, holding that under Ohio's statute SUB payments would have to be counted as wages and deducted from state UC checks. The Steelworkers challenged the order in court, won a permanent injunction.

ODM Sets New Tax Write-Off Rules; They're Stricter, But Have Loopholes

New guide rules for businessmen who want accelerated tax amortization on defense production facilities were set down by the Office of Defense Mobilization this week. Briefly, they limit fast tax write-offs to facilities for producing "new or specialized items, or research, development, or experimental services" on direct contract for the Pentagon or the Atomic Energy Commis-

"New" is defined as any item not in production before Jan. 1, 1957; "specialized" means an item with no

civilian market.

There are some loopholes in the new standings, which will be granted on an individual basis by ODM. For example, six-month extensions will be granted on facilities that were approved but not started before last August. Also, an item may be classed as "new" for purposes of tax write-offs if existing facilities are ruled inadequate.

Watchmakers' Plea for Protection Slapped Down—They're "Nonessential"

The ever-stiffer line that the Administration is taking toward protectionists got new starch when the Office of Defense Mobilization turned down a demand by the U.S. watch industry for import quotas or higher tariffs.

The industry plea was based on Section 7 of the Trade Agreements Act, which gives the President power to use tariffs or quotas to cut off imports that threaten industries needed for national security. But ODM held that new weapons and methods have cut the need for timing devices and watches to a point where the watch industry is no longer necessary to defense.

The fough Administration stand is seen as a part of the fight that's cooking up over renewal of the Trade

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New Haven RR Proxy Fight Off, Casey Group to Pick Five Directors

The steam has gone out of the proxy fight that last month threatened a change in management of the New Haven RR (BW-Feb.8'58,p34). The contestants have compromised without an open fight. The result: The group led by Chicago financier J. Douglas Casey will put five new directors on the New Haven's 15-man board.

Says Casey, "Their immediate objective is to find a railroad man to run the New Haven." The five directors, all independents acceptable to management, will be elected at a special meeting to be held probably next week.

Japan Studies Contraceptive Pills With Hope That Cost Can Be Cut

Oral contraceptives are getting serious consideration in Japan, which has an age-old problem of overpopulation. U.S. and Mexican doctors are attending a Tokyo meeting of the Japanese Pharmaceutical Society, which strongly

influences public health policy.

Dr. Edward Tyler, medical director of the Planned Parenthood Centers of Los Angeles, is reporting nearly 100% success in two-year tests on 612 Los Angeles women. Doctors from Syntex, S.A., of Mexico City talk of cutting the cost of the pills, now 20e each, to a point where they could be widely used in a country like

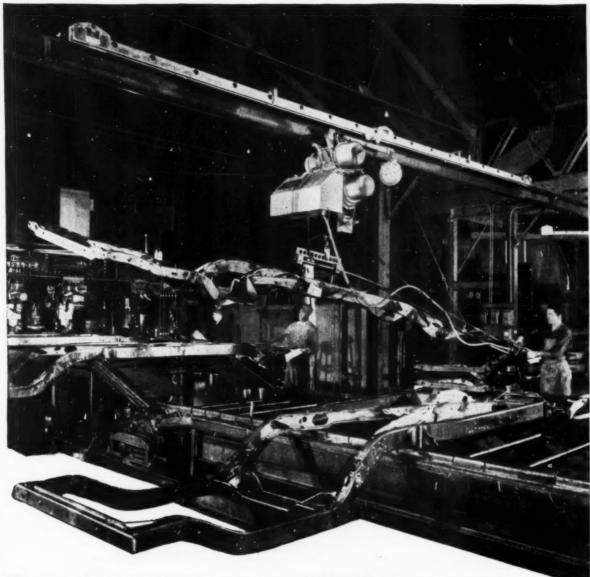
The Norlutin pills are sold in the U.S. under the

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Here downtime costs \$7000 an hour!

... so A. O. Smith uses HOISTS to help prevent shutdowns

The stakes are too high to chance a breakdown on this auto frame assembly line at A. O. Smith Corp., Milwaukee, Wis. A. O. Smith production men reduce the risk by using trolley-mounted P&H Hevi-Lift® Hoists, like the one shown above, for transfer operations.

A Hevi-Lift is virtually maintenance-free; P&H ingenuity has cut wear at the spot where more than half of hoist troubles occur — at the brake.

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a gentle, but positive direct grip for the hammer action of old-fashioned brakes . . . It has fewer parts to break down.

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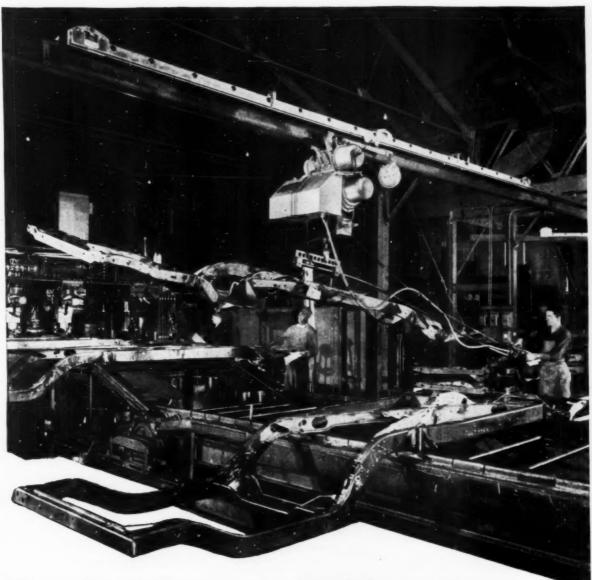
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WASHINGTON OUTLOOK

WASHINGTON BUREAU MAR. 8, 1958



Take a second look at the Eisenhower-Nixon pact—the agreement under which the Vice-President will take over if the President should become incapacitated and a stand-in become necessary.

The intent is to reassure. Pres. Eisenhower has been impressed by reactions to his illnesses. He has seen the stock market flounder, business hesitate, and our allies become upset. The arrangement is intended as a sort of guarantee that there will be no quick policy shifts, regardless of what might happen to the President.

But uncertainties are cropping up. Questions come from all sides on the real state of the President's health, on whether actions of an acting President could stand legal tests, and on why the step was taken at a time when the issue of transferring Presidential responsibility is pending in both the House and Senate.

Here are the highlights of the pact:

Eisenhower will make the first decision, if he can. That would be the decision to turn the President's chair over to the Vice-President. In case illness should be so severe that the President could not communicate his wishes to the Vice-President, the Vice-President would decide when to take over as Acting President.

The return of power to the President remains with Eisenhower. Any time he should feel sufficiently recovered to take up his duties again, the Vice-President would surrender his role of Acting President and go back to his Constitutional role as Presiding Officer of the Senate.

The rub is: What about the legal standing of a law passed by Congress and signed by the Vice-President in his role of Acting President? That is where you get the Constitutional argument. Democrats and strict constructionists do not think that a private pact can overcome this issue. It is probably a stickier one, even, than the question raised by Speaker Rayburn: How can the Vice-President return the presidency to his chief?

How well is Eisenhower? Did he make the agreement with Vice-Pres. Nixon because he has information on his health that has not been given to the nation? These questions are raised on all sides in Washington.

The President looks well—on the ruddy side—and he displays pep. Reporters have seen him weekly since the stroke last year. Press conferences have been infrequent. His doctors gave him a going over last week and pronounced him fit—fully recovered from the slight stroke. His work load is at the post-heart attack normal.

The agreement with Nixon puts pressure on Congress. What Eisenhower would like to see is a Constitutional amendment spelling out the role of the Vice-President in event a President becomes incapacitated. The Democratic majority in Congress has been reluctant to act on this. The Nixon pact may well force the issue, since it would become a precedent that other Presidents might well follow. There's considerable support in the Senate for action on a Constitutional amendment. Speaker Rayburn sees this action as unnecessary. He wants a simple act of Congress to clarify the picture, despite the fact that many Constitutional authorities doubt that such a law would stand if ever challenged in the courts.

WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU MAR. 8, 1958 On the business outlook, Washington becomes more and more gloomy, week by week. The January forecasts admittedly are out of date (page 23).

Forecasts still anticipate a moderate slide. What's meant by this is that we will reach bottom by midyear—down 2% on gross national product.

The shift is on when recovery will come. Officials have talked spring. Eisenhower, himself, picked March as the month that would see the beginning of the end of the slide. Official talk now centers on midyear—perhaps a little later.

Washington is preoccupied with recession remedies. You see this on all sides—in Congress and downtown agencies, too.

Spending heads the list. Eisenhower puts a lot of confidence in this, and so do the Democrats in Congress. In fact, it's a sort of race. When Democratic senators came out with a plan to give housing a shot in the arm, with easier credit, the White House rushed out its own program. Both are aimed at increasing the supply of mortgage money—permit the government to take more mortgages.

Note what's happened on reclamation projects. Democrats in Congress last year sent budget requests back to Eisenhower with orders that they be reduced. This year, they are sending them back with questions as to why these requests aren't bigger, with a faster rate of spending.

Credit will be eased up even more. Further cuts in both the discount rate and reserve requirements, which increase the funds available to the banking system, are in the works.

Reserve Board Chmn. Martin comes in for rising criticism. The complaint is that he stuck with "hard money" too long. However, indications are that Eisenhower will wait and see what comes of the downtrend before judging the Fed's performance.

On tax cuts, the Administration is very reluctant. Smaller tax revenues, of course, hurt chances for a balanced budget.

But the budget already is unbalanced. Rising spending, coupled with falling revenues, may well produce \$5-billion to \$6-billion of red ink next year.

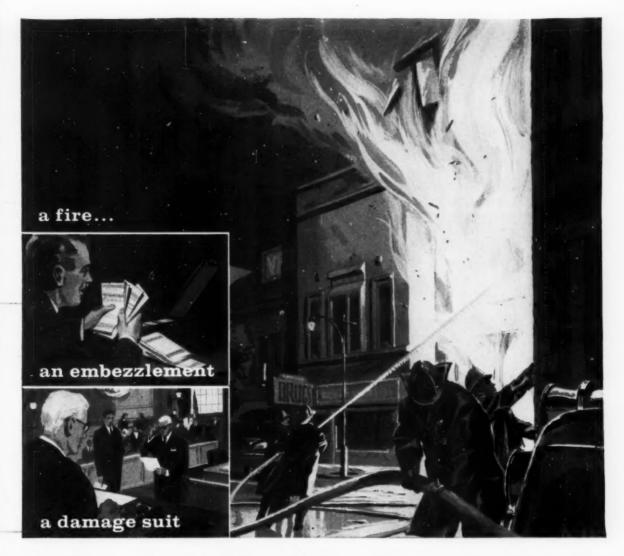
A tax cut would push the deficit higher. Most government men feel that a tax cut would have to approach \$5-billion, perhaps go beyond this, to provide any real stimulus. Even if it did turn the economy up, the first year's loss might easily hit \$4-billion, with the result that the government's deficit would be running upwards of \$8-billion to \$10-billion.

Eisenhower will campaign for congressmen and senators ahead of next November's Congressional elections. But speaking tours will be limited.

The President will give help when and where it's asked. What this means is that GOP candidates who take issue with Eisenhower policies—on the farm issue, for example—will be left to hoe their own row. Eisenhower has no intention of changing policies just to help congressmen.

Odds give the Democrats the edge to hold both the House and Senate. In fact, the Democratic majority is expected to increase. The GOP complains that businessmen are slow to ante up for this year's campaign. It's hard to raise funds when a fight already appears lost.

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Prepared In The Public Interest By FRUEHAUF TRAILER COMPANY



American Trucking Industry



Appliance Sales at Rock-Bottom?

Some manufacturers think so. The early weeks of 1958 turned out to be worse than they had feared.

Yet they have some optimism, on the theory that business is bound to improve. A few companies, too, have been finding better business already.

At the ebb of the salestide, manufacturers are taking pains to cut inventories on the one hand and to build up sales features and marketing campaigns on the other. They plan to introduce new models earlier than ever.

Makers of major appliances are re-vising their ideas of 1958 business, and most of the changes are toward the gloomier side. Many insist that 1958 will still wind up at least even with 1957-which, they point out, was the third best year on record.

But at the start of the year (BW-Jan.4'58,p78), most manufacturers were willing to bet on increases over 1957. Today, the consensus among a half-dozen of the largest manufacturers is that 1958 will barely hold its own or will perhaps drop 5% or so. A radio-TV maker predicts sales will rise 10%, but on the other extreme a home laundry producer thinks sales might be down as much as 10%.

Though minor appliances got a quick boost this week from the elimination of fair trade prices on many of them, it looks as if the major appliances are headed for a sales decline for the second year in a row. What optimism there is can be found in this type of comment:

· "Let's face it," says a Philco Corp. spokesman, "about the only place business can go from here is up.

• "Any changes seem to be for the better," says Frigidaire's general man-ager, Herman F. Lehman. "The major appliance industry felt the onset of the current recession before most other segments of the nation's economy. It's probable that the worst is over.'

I. Holding Down Stocks

Part of the new uncertainty comes from the impact of winter weather on sales, on top of the effect of an economic slowdown. For example, the American Home Laundry Manufacturers' Assn. still predicts a small increase over 1957 business, even though sales in January were 29% below a year earlier. January sales showed an improvement over December's perform-

But a good deal of the setback comes from the depressing business of cutting production to hold inventories down.

The picture isn't uniformly dark, of course. There always are exceptions. Sylvania Electric Products, Inc., is one company that sees nothing wrong with early 1958 sales-January set an all-time record, 18% ahead of a year earlier. Norge and Maytag, too, have been hiring workers in recent weeks.

· Balancing Factors-However, Westinghouse Electric Corp. has already cut production, and General Electric Co. plans layoffs later this month. Steel companies in the Chicago area report deliveries to appliance makers are down 30% to 35% from last year at this time. Their order books show no sign yet of any substantial upturn.

· Inventory Hot Potato-With demand still weak and erratic, manufacturers in all major appliance fields are scrambling to avoid being caught holding the inventory. In this, they are only vying with equally wary distributors and

Thus, January sales of television sets that ran 26% ahead of a year ago did nothing for production of TV sets. In the first six weeks of the new year, the industry produced only 648,961, compared with 664,493 in the 1957 period.

Appliance manufacturers have lived through a series of shakeouts in the postwar period. They have seen company after company pull out of an overly competitive market, flooding the stores with distress goods and under-mining the industry's price structure. No one wants to be caught with too much inventory the next time it

This shows up in GE's decision to shut down its refrigerator line at Appliance Park in Louisville for a week

starting Mar. 24. It's "an attempt to avoid more drastic cutbacks later in the year," says GE.

"Because of the general economic situation in the industry," a spokesman comments, "we must keep extremely close tabs on our inventories and adjust production promptly when the need arrives."

Westinghouse, among others, is being equally cautious. Ever since its crippling 1955-56 strike, Westinghouse has had Chris J. Witting, vice-president for the consumer products group, busy reorganizing and tightening the setup for distributing consumer goods. Today, 70% of its appliances are handled through a factory branch system that gives headquarters a better grasp on the market. Once dealers have been stocked, the company can produce much more closely to consumer purchasing trends. It no longer has to produce heavily in the first quarter, then size up where it stands.

Westinghouse has laid off about 850 workers at its Mansfield (Ohio) plant since Dec. 1 and has more recently installed a four-day week in its Columbus plant. The pipelines of the dealer sys-tem were filled after an August introduction of the company's 1958 line of appliances. Now the output is being geared closely to reports from the factory branches. By the time the year is out, though, Westinghouse thinks it will have hit its target sales goals, set to top 1957 volume.

· Distribution Change-Admiral Corp. has about completed a sweeping change in its distribution methods-again with the idea of holding inventories as closely as possible to market conditions.

Admiral has centralized all its major appliance production at the Galesburgh (Ill.) plant, where it ships mixed carload lots directly to dealers. Appliances go through distributors only when less than carload lots are ordered. This saves freight charges for dealers, who used to have partial carloads coming from various plants. Admiral says the new system has won new dealers to Admiral's banner, as well as stimulating

II. Building Up Sales

Conservative in inventory policy, appliance makers are by no means conservative about sales promotion. They are still confident of spurring the market to the production pace they would like to set for the current year. Westinghouse, for example, ran a

big January-February sale in the New



WHAT DO YOUR SHIPPING CONTAINERS SAY OF YOUR PRODUCT?

They say mighty helpful things if they're Fort Wayne built and Fort Wayne printed.

Salesmanship on corrugated is a Fort Wayne specialty. Your product message, your company name, trade mark or slogan speaks sharp and clear through Fort Wayne's use of new and better containerboard finishes, superior inks, effective design, advanced printing methods and equipment. Your containers become colorful bulletins that sell.



Fort Wayne

CORRUGATED PAPER COMPANY

GENERAL OFFICES . FORT WAYNE 1, INDIANA

A copy of the company's latest financial report may be obtained by writing to Harold M. Treen, President, Fart Wayne Corrugated Paper Company, Fart Wayne 1, Indiana.



York area, with sizable reductions from list prices. It calls the sale "very successful," with volume ahead of last year in the market area. "It is plain," says Westinghouse, "that there are people who will buy if you dig them out and sell them."

Last week, GE made a big promotional stunt out of shipping 10,000 appliances to the West Coast—the largest single shipment of GE appliances ever made. It was tied in with a big push among California dealers and distributors

Philco says it has several promotions ready to launch, but it doesn't want to talk about them yet. Maytag is scheduling a big magazine advertising campaign to reach half the families in the U.S., plus an outdoor advertising splurge of 2,000 billboards in 112 leading market areas.

Hotpoint will open an advertising drive this month that it calls one of the most intensive in its 53-year history. Stress will be on the all-electric kitchen since, Hotpoint says, "motivational research has shown that women are first attracted to the kitchen and second to the appliances."

Novelty Features—Many manufacturers have also noted a significant thing in their year of sagging sales: Appliances with unusual features are still selling well. As a result, you may see fewer models in the new lines but an emphasis on features that can sell.

Maytag claims a heavy backlog for its new all-fabric automatic washer that was introduced in January. Easy Washing Machine Co. finds its smaller and quieter washer-drier combination able to carve a good slice out of the market. Norge's new refrigerator with swingout shelves and an automatic icemaker brought orders enough to require a second shift of 300 men at its Muskegon (Mich.) plant.

Sylvania attributes at least part of its sales growth to its new convertible TV set—a 21-in. receiver that can be used as a console, table model, or portable. Sears, Roebuck & Co. has a plastic-case portable TV that it says it can't stock fast enough. Motorola is finding a lively market for a portable transistor tadio with an extra wave band to pick up half-hourly official weather forecasts.

• Introduction Speed-Up—If a lack of individual features among appliances has had anything to do with sluggish sales, manufacturers obviously hope to remedy it. You can expect new models containing new features to be introduced about as fast as they come from product development staffs. This means earlier introductions of 1959 models.

At least five manufacturers speak of earlier introductions, though one of them quipped: "If we come out any earlier in the year, we'll have to skip a year entirely by 1960." END

He's here to search out an accident that could happen

Tomorrow!

This man entering the boiler room is a Hartford Steam Boiler Field Inspector. His job is to search out and evaluate faulty conditions in the power equipment you insure in his Company so that steps may be taken to avert an accident. He comes well prepared, with modern testing equipment - and a coverall, too, because he plans to really get into places where he can see, feel, listen-for and smell-out signs of danger. His sound, practical knowledge of the equipment he inspects is augmented by the many years of experience which his company has had in this one highly specialized field. He is a welcome visitor in thousands of plants such as yours throughout the country because his recommendations have prevented accidents and prolonged the useful life of boilers and machinery.

Is your Power Plant Insurance Engineered to Keep Power Alive?

It is, if you insure with Hartford Steam Boiler. This Company has specialized in *Engineering* Insurance for 92 years, and operates the largest organization in the world devoted exclusively to inspecting and insuring power equipment. More than 600 Company

Your H.S.B. Engineering Insurance can be tailored to meet your needs.



THE HARTFORD STEAM BOILER

INSPECTION

AND INSURANCE COMPANY

Hartford 2, Connecticut

Remember, INSPECTION is our middle name



Inspectors working out of 19 Regional Offices spend full time in field inspection work. Over 100 Special Agents, skilled in engineering insurance underwriting, are prepared to work closely with you and your agent in developing a policy tailored to fit your needs. And if accident strikes, in spite of all preventive efforts, this nation-wide organization moves smoothly and promptly to help speed rehabilitation and provide equitable settlement.

Today is a good time to see your own Agent or Broker to secure H.S.B. protection against accidents which might happen tomorrow.



H.S.B. Field Inspection services guard against accident to keep power alive.

ep power alive

Time Screw & Mfg. Corp. Reports...

KEYSTONE XI WIRE BEST FIVE WAYS!



No Surface Cracks

This is an insert for an engine rocker arm assembly. When cold formed from other wires, surface cracks appeared. Keystone "XL" Wire eliminated these cracks.

100% Inspected

Time Screw inspects these engine tappets 100%. No fine line cracks on sides are acceptable. With Keystone "XL" Wire, rejection is less than ½ of 1%.



Maximum Head Spread

Here's a part formed to hold a rubber molding, where maximum head spread is demanded. Other wires cracked at the spread—Keystone "XL" Wire does the job.



To get the head of this automotive part to its desired size, Time Screw double extruded Keystone "XL" Wire. The head is about 10 diameters greater than the body.



Cold Heading Saves 70%

This fastener was formerly a two-piece set with a washer welded on the body. Now it is upset by Time Screw with Keystone "XL" Wire, saving 70% in costs.

Leslie K. Pearson, Vice President of Time Screw & Mfg. Corp., Rockford, Illinois, states: "We've found that Keystone 'XL' Wire can be used on any job, no matter how difficult."

Constitute is the secret to the amazing adaptability of Keystone XL" Wire. Its versatility is recognized by wire users who have turned to Keystone for assistance in solving their tough jobs. Next time you are confronted with a wire problem, call your Keystone Wire Specialist.

Keystone Steel & Wire Company, Peoria 7, Illinois

KEYSTONE WIRE FOR INDUSTRY



Push Car Sales

Cleveland dealers get lots of backing for a big auto promotion week. Result: Their sales are tripled.

Consumers have money to spend, and they'll spend it if the incentive is right. That's what Cleveland auto dealers learned from Cleveland Auto Week, which wound up Mar. 1.

By combining heavy promotion, bargain prices, and what the dealers called "optimistic salesmanship," the dealers sold more cars in one week than in the previous three.

It is estimated that they sold some 3,300 new cars with a retail value of about \$10-million, and more than 3,500 used cars for over \$5-million. In the first three weeks of February, they had sold only 2,565 new cars.

What surprised everyone was the availability of money. Dealers said they had never before had such a high percentage of cash deals or such a high average downpayment.

 Heavy Promotion—The weather got some credit for the campaign's success. It warmed to a high of 59F on the first day, against 6F the week before. But weather didn't do it all, the dealers agree.

The Cleveland Auto Dealers Assn. and the Chamber of Commerce dreamed up the slogan, "Keep Cleveland business healthy—you auto buy now." Dealers spent \$250,000 on advertising and promotion; car makers poured in additional advertising money. Local papers featured the drive editorially. Radio and TV stations donated \$50,000 of spot time.

A rally attended by more than 1,200 dealers and salesmen kicked off the promotion. Keynote speaker was W. G. Power, advertising sales manager for Chevrolet Div. of General Motors. The firm of Gallagher, Samuel & Veeck handled the promotion. It encouraged papers to play up "good news" items—rehirings, new plants.

 Accelerated Sales—Dealers report that the customers did respond. Many told of customer comments such as this: "I had planned to buy later, but if it will help get business going, I'm buying now."

This means, of course, that dealers have stolen some later sales from themselves. But this doesn't worry them too much. They got a good number of advance orders for later delivery.

Now the city is planning to expand the "buy now" drive to other businesses. And other cities—and even states—have asked how to get the ball rolling in their communities. END



"Styrofoam[®] saved us approximately 8% on our insulation bill at Little Rock"—Kroger Company

"Styrofoam saved vs approximately 8% on our insulation bill for our warehouse in Little Rock, Arkansas," reports Lee J. Gibbas, Kroger mechanical engineer. "In addition, it also maintains the required temperatures which preserve the various foods stored in our coolers and freezers.

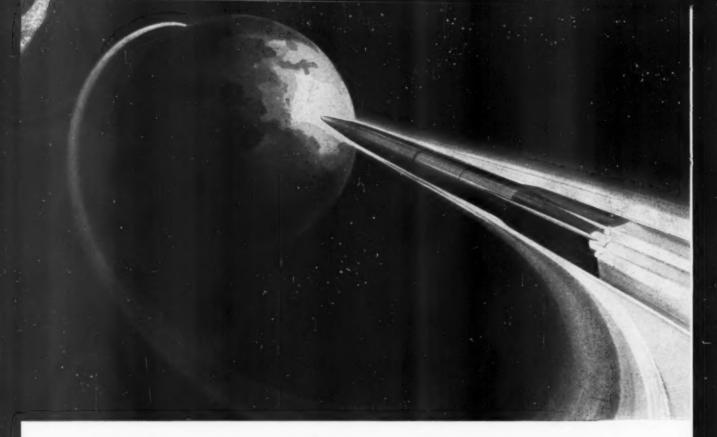
"About 250,000 board feet of Styrofoam was also used in the new Kroger plant in Shreveport, Louisiana. Seven banana-ripening rooms, an egg cooler, a cheese cooler, two produce coolers and three freezer rooms are insulated with Styrofoam."

Mr. Gibbas speaks from experience. Kroger first used Styrofoam for insulation 4 years ago. For more information about this outstanding insulation, write THE DOW CHEMICAL COMPANY, Midland, Michigan, Plastics Sales Dept. 1951A.

CHECK THIS EXCLUSIVE COMBINATION OF PROPERTIES

STYROFOAM*	Insulations	Low "K" factor	Superior water resistance	High compressive strength	Light weight	Superior resistance to retandvermin	 Low-cost installation	Lowest cost per year service
INSULATION	STYROPOAM	•				•		•
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*Bryrataam to a rayistored trade **	c	•		•			-	

YOU CAN DEPEND ON DOW



When unharnessed temperature is the enemy STEWART-WARNER is there!

To meet the spectacular performance requirements of our newest missiles, positive temperature control is a major and critical problem. It is essential that temperatures be held at levels which the structure and equipment can withstand, and which will protect completely the operating reliability of delicate, complex electronic and mechanical components.

Stewart-Warner's famous South Wind division—which furnishes heat exchange equipment for two out of every three major aircraft models now in production in the United States—has also developed highly efficient heat transfer and refrigeration systems to meet the extremely exacting requirements of many of our principal missiles. These include the Atlas, Jupiter,

Thor and Redstone ballistic weapons, and the Bomarc and Talos interceptor missiles.

One of these, for example, carries **South Wind** equipment which develops more refrigeration capacity than has ever before been attained for equal weight—a unit weighing only 16 pounds with capacity equivalent to that needed to cool a sixroom house in mid-summer.

In a further extension of this important technology, **South** Wind has recently announced its revolutionary new **liquid-lock** evaporating liquid process for heat transfer. This advancement may well provide improved, and relatively simple, solutions to many of the critical temperature problems involved in both aircraft and missile

development. It's another example of Stewart-Warner's outstanding contributions to America's progress.

Through the intensive new product development efforts of its nine widely-diversified, highly-integrated operating divisions, Stewart-Warner continues to strengthen further its leadership in such dynamic, rapidly-growing fields as advanced electronics, instrumentation, high-pressure lubrication, materials handling, combustion and complex heat exchange technology.

Whoever you are, wherever you live, work or travel, Stewart-Warner is there—making work easier, life better, America more secure.

STEWART-WARNER CORPORATION

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Symbol of Excellence



These are the QUALITY PRODUCTS of STEWART-WARNER CORPORATION:

ALEMITE Industrial and Automative Lubrication Equipment, Lubricants and Chemicals;

STEWART-WARNER Electronics Equipment and Systems, Commercial and Military;

BASSICK Costers, Wheels and other Materials Handling Devices, Flo-1117 Office Chair Controls;

STEWART-WARNER Speedometers, Gauges and other Automative, Industrial and Marine Instruments;

South Wind. Aviation Heat Exchange Products, INSTANT and MINIT Automative Heaters;

STEWART-WARNER, SALAINE and WINKLER Heating and Air Conditioning Equipment;

Dieward Die Castings; Habbs Electric Hour Meters; Bassick-Sack Furniture Hardware.

ALL OF THE ABOVE TRADEMARKS ARE THE PROPERTY OF STEWART-WARNER CORPORATION

In Marketing

FCC Won't Handle Pay-TV Applications Until a Month After Congress Adjourns

Pay-TV, which has been traveling a bumpy road lately, hit another block last week. The Federal Communications Commission announced that no applications for trial operations would be processed until a month after Congress adjourns. This is a set-back for pay-TV proponents, who had fought hard to get tests authorized in the first place (BW-Oct.26'57,p91).

FCC action came partly as a result of two Congressional committee resolutions asking for delay in pay-TV trials until Congress could act (BW-Mar.1'58,p51). FCC indicated it is giving Congress a chance to enact

legislation.

On another front, the FCC opened its important hearings on the Barrow report. That report, the result of a 14-month study by Dean Roscoe L. Barrow of the University of Cincinnati Law School, found evidence of "a high concentration of control" of the TV industry by the three networks, and recommended action that would drastically affect the TV industry. FCC has scheduled extensive hearings, with the first week devoted to testimony from the heads of all three nets.



Sunday Selling Spreads in Detroit, State Balks at Halting Practice

Splashy ads such as these are serving notice that the Sunday-selling battle is on in full force around Detroit.

It's likely to continue. Last week, the Michigan legislature tabled a bill that would have banned Sunday shopping. Opponents argued that it's practically impossible to close down every type of retail operation; to bar some, then, would be discriminatory.

There's a lot of finger-pointing in the Detroit area as to who started it all. The large chains tend to blame independent supermarkets for opening up on Sunday. Kroger ads tell how regretfully the company has taken its step to counteract competition.

Wrigley's, Inc., on the other hand, feels the Sunday battle is a battle of the giants. Many stores credit Kroger with being at least the first to herald its Sunday

specials in ads.

Wrigley itself has been opening 48 of its 104 Detroit area stores on Sunday over the past two years. The practice began in a Jewish neighborhood, spread to others. Church groups are now protesting—except Seventh Day Adventists, who have thanked Wrigley for staying open.

In New Jersey, meanwhile, the battle is still steaming (BW-Jun.8'57,p62). Except in Paramus, where a local bill has closed everything tight, Sunday selling is going strong along the highways. The Paramus decision is being appealed. Four bills on the subject are due for hearings in the state legislature soon.

And in Chicago last week, the National Assn. of Retail Clothiers & Furnishers passed a resolution "viewing with alarm the increasing practice . . . of stores remaining

open on Sunday."

Specialty Fashion Center in Santa Ana Will Make "Shopping Around" Easier

A sort of specialty shopping center, which steers away from the complete one-stop shopping concept, will open

up in September in Santa Ana, Calif.

The \$15-million Fashion Square will be a "shopping-goods" shopping center. All of its 25 stores will offer merchandise that people like to shop around for: clothes, furniture, gifts, and the like. It won't have a supermarket, a drug store, or a variety store, though it will include a pharmaceutical shop and a Jurgensen's Gourmet Foods store.

Walter W. Candy, Jr., president of Bullock's, Inc., offers two reasons for the Fashion Square development. One is the success of an unplanned fashion center that grew up around Bullock's on Pasadena's Lake Street.

The other is the new center's conviction that customers' attitudes when shopping for fashion and such are quite different from their attitudes when doing their routine marketing. They buy the so-called convenience items—food, cosmetics, for example—at different times, under different conditions. They come from much greater distances to visit fine stores. "Convenience" shoppers tend to get in the way of fashion and furniture shoppers.

Orthodox one-stop centers have frequently recognized this difference by placing the supermarket out of the

main fashion traffic flow.

Besides Bullock's, Fashion Square will house Haggarty's, I. Magnin, Desmond's, Security-First National Bank, plus several smaller apparel shops, shoe stores, a hi-fi store, gift and decorators' shop, and a beauty salon, among other shops.



PHONE check with credit applicant's landlord, employer, bank is credit bureau's first step; then, if necessary . . .



FIELD investigator talks to applicant's neighbors (above), grocer, butcher, liquor store; then his credit rating goes in bureau's files.

Credit Bureaus Get Bigger Role

Still-rising consumer credit and recession-born wariness of retailers make their tab-keeping job more important than ever.

Such scenes as those above—a part of the daily routine of the nonprofit Credit Bureau of Greater New York, and its 2,300 counterparts throughout the U.S.—have a bigger place than ever on the retail stage today, as consumer credit climbs even beyond its pre-recession records, while the recession pinch makes retailers more wary.

These scenes, of course, are not played in public view; and the consumer, even though he may be the chief character in the little drama, may well be totally unaware of what is happening. All he glimpses is the polite murnuring of a smiling clerk—as in the case of an unshaven, shaggy-haired man in a baggy suit, who shuffled the other day into the Manhattan shop of A. Sulka & Co., posh men's haberdashers.

The man, selecting a couple of \$12.50 ties, and a \$97.50 Scotch wool flannel robe, instructed the suspicious salesman to "charge it." The salesman

excused himself, hurried the sales slip to the store's credit manager, John T. McCaffery, who picked up his desk phone, dialed a certain number. Less than two minutes after leaving the customer, the smiling salesman returned. In Sulka's book, the seedy tie buver was O.K.

McCaffery had dialed the Credit Bureau of Greater New York, a cooperative whose membership of 1,500 includes most of the city's big retail establishments. In this case, no further phone field check was needed, for the bureau's huge file of dossiers already contained the personal and financial history of the Sulka customer. McCaffery learned his man had a fat bank account, a good income, and had always paid his bills promptly. Sulka, therefore, opened a new account for him.

• Recession Push—The current recession, far from cutting down the number of such inquiries to the New York bureau, has had the opposite effect. Rudolph M. Severa, veteran credit man and executive manager of the New York bureau, says that credit inquiries from members have lately been running 5% to 7% ahead of a year ago. Some of this, of course, stems

from the continuing rise in consumer credit generally—though the rise has been slowing in recent months.

But Severa feels that a part of the increase results from closer credit checks by smaller retailers aware of recession pitfalls. "There is less and less 'eyeballing' of credit applicants by the smaller retailers today," Severa says; "they're looking more carefully at credit applicants, and checking with us more often."

The New York bureau's counterpart across the continent, the Retail Merchants Credit Assn. of Los Angeles, also reports its volume of current inquiries is running ahead of a year ago by 4% to 5%. Los Angeles reports, too, that the number of cases that turn out to be over-obligated credit risks is increasing. What's more, the bureau's collection agency (many credit bureaus operate such collection arms) is bumping up against more and more people who are slowing up on bill payments.

Not all credit bureaus are having the same recession experience, however. Milton Deutch, manager and vice-president of the Chicago Credit Bureau, says applications of some 2,000 a day are about 5% under a year ago. Carl S. Hobbet, general manager of the Credit

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tells how Hertz Truck Leasing stops your truck headaches...fast!

Do it now! Whether you operate one truck or one hundred, send for this new Hertz Truck Lease booklet. It doesn't cost you a thing. There's no obligation. And there's every reason to believe it will show you how to end truck headaches the day you begin leasing your trucks from Hertz!

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- It tells how to free executive time for more productive work
- It tells how to end truck bookkeeping red tape
- It tells how to eliminate downtime and idle-truck waste
- It tells how to stop servicing and maintenance headaches
- It tells how to get extra trucks fast—for peak periods

MAIL COUPON TODAY FOR FREE BOOKLET!



Most experienced...by far

HERTZ

Hertz leases modern GMC or other rugged trucks!

Hertz Truck Lease Service, Dept. B 15-3 218 S. Wabash Ave., Chicago 4, III.

Genfleme

Please send me a free copy of your new question-and-answer booklet on the many advantages of Hertz Truck Lease Service. I understand there is no obligation.

We presently own and/or operate_____trucks.

Name

Firm

Address

City_____State____



Cut tedious, costly surface prepara-tions! Simply scrape and wirebrush to remove rust scale and loose rust-then apply Rust-Oleum 769 Damp-Proof Red Primer right over the remaining sound rusted surface! Specially-processed fish oil vehicle penetrates rust to bare metal. Beautify as you protect with your choice of many attractive Rust-Oleum finish colors. Prompt delivery from Industrial Distributor stocks.



RUST-OLEUM CORPORATION • 2421 Oakton Street • Evanston, Illinois



substitute



(Advertisement)

The man from Cunningham & Walsh



It makes a lot of sense for Dick Ide, advertising agency account man, to work in a supermarket. What he learns about how people buy is taught best by first-hand experience. That's why our account men, writers, artists, and TV staff work a full week a year at retail. Our advertising sells better for it. Cunningham & Walsh Inc., New York · Chicago · Hollywood · Los Angeles · San Francisco.

Bureau of Cook County-also processing about 2,000 daily applications-reports a similar slowdown.

Hobbet attributes the decline to layoffs and work-week cutbacks in the Chicago area. The lowest income group has been hardest hit, he says, but new account activity in the better stores is also down slightly.

· File Clerk's Paradise-These big city credit bureaus are repositories of an enormous amount of information. The Los Angeles Retail Merchants Credit Assn. has about 4-million credit histories in its files; right now it is handling around 20,000 new cases a month for its 3,000 clients.

New York's credit bureau, 40 years old and the world's largest, has some 6.5-million individual credit histories. Each year it adds around 750,000. weeds out about the same number as obsolete.

Manager Severa supervises a staff of some 250 full-time employees, and 100 part-timers, who process 7,000 to 8,000 daily applications.

Besides the files on individuals, this staff keeps up a separate file of around 14-million records of court suits, judgments, bankruptcies, and federal tax liens in the five counties of New York City and in eight neighboring counties in New York and northern New Jersey. More than 1,500 wholesalers, jobbers, factory, finance companies, banking, lending, and retail institutions subscribe to the court record report the bureau publishes daily.

· Check and Double Check-But not everything can be found even in these voluminous files-and that's when the

phone and field work starts.

An inquiry may come in by phone, mail, or messenger, from any of the consumer-credit granting outfits that belong to the bureau-a department store, retail shop, bank, finance company, and so on. If there's no file on the person in question, the phone investigators (picture, page 52) start buzzing the credit applicant's references and those he does business with; field investigators talk directly to persons in the neighborhood.

Field investigators have a geographical territory to cover; Glen Dowlin, for example (right-hand picture, page 52), covers the Long Island area for the New York bureau. Phone investigators have their special lines. One of the New York veterans, Miss Selma Jacobs, specializes in celebrities; she maintains regular contact with Broadway and Hollywood producers, hotel managers, agents who handle the business affairs of show people and other prominent personalities.

"But if anything sounds suspicious to me," says Miss Jacobs, "I'll ask one of our field men to double check.'

Just a few days ago, Miss Jacobs got

Electricity can do more for industry ...through better control and distribution



Power, power everywhere ... and not a watt to spare!

Over 376,000,000,000 kilowatt hours of electricity a year—and every watt of it is essential to America's industry. Yet the job of controlling it efficiently and safely is often taken for granted.

Not so at Federal Pacific. Here, skilled engineers constantly search for better ways of handling electricity. And it has paid off. Everywhere you trace the course of electricity, from power line to production line, you'll find Federal Pacific equipment controlling and distributing it. Giant oil circuit breakers, substations, transformers, switchgear, bus duct, motor controls and safety switches.

Federal Pacific makes them all—and more—to meet virtually every industrial need.

And in installation after installation in industries across the nation—you'll find proof of the unqualified acceptance managements have given these products. The reason is simple. Federal Pacific leads in quality...consistently finds better, more efficient ways to control electricity for home, industry, and commerce.

FEDERAL PACIFIC ELECTRIC COMPANY
Main Office: 50 Paris Street, Newark 1, New Jersey



Better Products to Control Electricity

Depreciation as an element of cost

from the CLIENTS' SERVICE BULLETIN of The American Appraisal Company

Probably no subject related to property accounting has involved more controversy in recent years than the use of original costs, and what place, if any, current replacement costs should have in our economic planning.

There is evidence of a growing realization on the part of business executives that the present cost of plant facilities call for some change in our accounting and tax conventions.

The basic reason for recognizing depreciation as an element of production costs is that manufacturing facilities gradually lose their value due to time and use, in spite of maintenance and repair expenditures. In other words, some portion of the depreciable facilities is sold with every item or product that moves out from the shipping platform.

When material prices have increased, few concerns are willing to sell present supplies at cost when new supplies must be acquired on a higher basis. Yet portions of the manufacturing facilities charged to costs are being sold at a price far less than that at which they can ever be replaced.

Experienced management knows the need for maintaining a modern, efficient plant if it expects to succeed in the competitive American and world markets. American ingenuity is constantly changing production requirements, and new and better machines are being invented to reduce costs or to improve products.

It is believed that the time has come to recognize depreciation on current reproduction costs as a proper element of manufacturing cost. The excess depreciation provided on appreciation over original cost, if absorbed in the production costs, will help to provide the funds needed for future replacements. It is believed that such a deduction from current income would reflect more truthfully present production costs and result in a more equitable distribution of the fruits of enterprise among government, stockholders, labor and management.

American Appraisal Service furnishes upto-date authoritative information about the existence, cost or current value of assets... and the adequacy of depreciation provisions. Values are established only after careful consideration of all factual data. An American Appraisal report represents more than half a century of experience in the field of valuation for purposes of insurance, accounting, taxes, property control and corporate financing.

The AMERICAN APPRAISAL

Company

SINCE 1896 ... LARGEST ... MOST WIDELY USED

Homo Office: Milwaukee, Wisconsin
Allanta Cincinnell Konses City Philodelphia
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a wired request from a Midwest credit bureau—one of some 2,300 members of the Associated Credit Bureaus of America, Inc. (headquarters in St. Louis), all of whom regularly exchange credit information. A leading actress, playing in the city from which the request came, had had a sudden urge to buy a mink coat. A check of the files, and some quick phone calls, turned up the fact that the actress was lagging in her bill payments—and she storned out of the shop without her mink coat.

• Reputations—"The paying habits of show people are generally thought to be bad," says Miss Jacobs. "But they're just like anybody else. Actually, lawyers are worse."

Lawyers, it turns out, cannot use the bureau's credit files, nor become members (though they can subscribe to the daily court report). Manager Severa says one reason is the fear of getting the bureau involved in law suits by irate individuals with whom the lawyers are engaged in litigation.

• Closely Guarded—Most credit bureaus guard their files closely, will answer requests only from accredited members or from government agencies such as the police or district attorney, or the Federal Bureau of Investigation. Employees are carefully screened.

But sometimes credit bureaus do accept inquiries of a non-business nature from certain individuals. One bureau has on its roster a wealthy young widow with wide business and social interests. Through her business membership, she inquired not long ago about a gentleman who had asked her for a weekend date in New York. The New York bureau's report began: "Age 36, married, three small children, dependent." She refused the date.

 Handling Laggards—Like the man in the story, most credit applicants aren't aware of the important part the credit bureau can play in their lives—so long, that is, as they pay their bills promptly.

When a customer lags in paying his bills, a credit manager will check the credit bureau file to see if any derogatory information has turned up since the last inquiry. But some retailers wait as long as four to six months before reporting a non-payer to the credit bureau as delinquent.

A policy of severity toward laggards appears to be the exception among credit managers. Joseph L. Scaring, credit manager of New York's W. & J. Sloane, big home furnishings store, says: "Our collection effort is determined by many variables." He'll be more patient, he says, with a slow paying customer who responds to his "reminders" with an explanation for the lag than he will with one who ignores his letters. Sulka's McCaffery agrees, "The worst thing is no response from the customer." END

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When you order from Jessop you don't wait in line. Jessop operates a compact, highly adaptable stainless plate department-all under one roof from melting to finishing. Production schedules can be adjusted overnight to suit your need. Moreover, with the 3rd largest stainless plate mill in the country now in operation, sizes are available up to 80" in width and 240" in length. And Jessop's yearsahead chemical control equipment quickly identifies tramp elements in the molten bath-permits their removal so you will enjoy improved forming and welding characteristics in the finished plate. You'll find it will pay to send your next inquiry to Jessop where doing business is like owning your own mill.

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UP 240%			238%	UP 192%				
Plant Capacity	PLANT CAPACITY 1957	Sales Volume	SALES VOLUME 1957	Personnel 1947	PERSONNEL 1957			

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Wall St. Talks . . .

. . . about timing stock purchases . . . portfolio shifts by a pro . . . a well-timed secondary sale . . . some sticky new bond offerings.

A matter of timing. The hesitant stock market provides a good reminder that it's not enough to know the right stock to buy; you also have to know the right time to buy it. Says a veteran Streeter, "Over the years more money has been lost in markets like these by buying the right stock at the wrong time than in any other way."

Drastic portfolio changes have been made by at least one pro investor. As the year began Group Securities, Inc.'s Capital Growth Fund had 29.5% of its assets in utilities commons, compared with 24.9% just seven months before. Its holdings of chemicals and drugs had climbed to 10.8% from 4%; bank and insurance stocks to 7.1% from none at all. On the down side, natural gas holdings had dropped to 8.9% from 15%, oils to 7.1% from 11.1%; aviation stocks to 1.8% from 7.4%.

A well-timed secondary offering. Early in February, 30,000 shares of Wheeling Steel common were sold at \$38.75. Last week, Wheeling cut its quarterly dividend to 50¢ from 85¢; the shares dropped to \$34.50.

The going has been sticky for many new bond flotations. Over-the-counter bids for 11 corporates have dropped below the original offering price by from 1½ to 3½ points. And last week the syndicate that on Jan. 15 offered \$50-million Missouri state bonds finally dissolved with more than a third still on the shelves. In free trading the bonds promptly slumped six points below the original figure.

Cuts in copper dividends are spreading and deepening. Anaconda, Chile Copper, and Inspiration Consolidated have all declared 50¢ dividends for the March quarter; previous payments ranged between 75¢ and S1. Continental Copper will pay 17½¢ instead of 25¢; Miami Copper 25¢ instead of 50¢.

A new proxy fight is shaping up at Bullard Co., a big machine tool maker whose earnings have plummeted with no dividends since June, and whose stock has dropped to \$13, about 75% below its bull market high. The in-

Rockwell Report



by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company

Because statistics showing what a new factory means to a community interested so many people when they were cited here some time ago, it seemed worthwhile to repeat them now.

The study (made by the Economic Research Department of the U.S. Chamber of Commerce) showed that when 100 new factory jobs are made available, 296 more people make the community their home . . . 112 more households are established . . . 51 more children go to school . . . 4 more retail establishments are opened . . . 107 more passenger cars are registered . . . and 74 jobs are created in addition to the 100 new factory jobs. In dollars, the 100 new factory jobs mean: \$590,000 more in personal income; \$270,000 in bank deposits; and \$360,000 more in retail sales per year.

Those figures are repeated now because maybe now is a good time to consider the answer to an opposite question: "What does it mean to a community when 100 workers (or 300 or 5,000) are idled by a prolonged strike?"

By how many hundreds of thousands of dollars will personal income, bank deposits, and retail sales *decrease?* How much worse off will the community be—not just the workers and company directly involved in the strike—but *everyone* in the community?

The arithmetic involved in getting that answer is simple, and the implications obvious. A strike is too serious a matter to the entire community ever to be entered into until every other possible alternative has been honestly tried. A strike is not just management's business or labor's business, but everyone's business.

And it is everyone's business—including local government, service organizations, fraternal orders, and private citizens—to foster a community spirit in which differences of opinion can be discussed, and resolved in an atmosphere of mature responsibility; a public opinion which looks upon irresponsible rashness—in either party to a dispute—as a serious disloyalty to one's neighbors.

A new half-hour documentary film, in color, has been released by our Meter and Valve Division. It deals with the little-known story of how a Swedish-American engineer, Sven Nordstrom, came to invent the lubricated plug valve and how he had to struggle to gain acceptance for what has since become the most widely used valve for critical services in the petroleum, natural gas, and process industries. An animated sequence shows what goes on inside the valve.

Something new in the art of cataloging has been introduced by our Delta Power Tool Division. It is a unique 36-page book which is not only a fully illustrated catalog but also doubles as a comprehensive home workshop "primer" containing a series of concise "helpful hints" useful to any home-craftsman, no matter what tools he uses.

Periodically we hold board meetings at various plant locations to give directors a first-hand picture of company facilities and products. The most recent one was at our relatively new Statesboro, Georgia plant, now in full production on our Dual parking meters, liquid meters for petroleum and general industrial services, LPG meters, and Rockwell-Ohmer electric taximeters.

One of a series of informal reports on the operations and growth of the

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surgent group, which claims to hold 11% of Bullard stock, is led by New York's James A. Walsh, who played a big role in the 1955 fight by which Patrick McGinnis won control of the Boston & Maine RR.

FINANCE BRIEFS

Virginian Ry. (BW-Feb.1'58,p51) is not controlled by the "Mellon-Koppers interests." Eastern Gas & Fuel Associates is the road's largest stockholder, owning 30.5% of its voting stock. The Koppers Co. once held an important interest in Eastern but this was disposed of in 1950.

Metropolitan Life Insurance Co., world's largest insurance unit, had assets of over \$15-billion and \$80-billion of policies in force at the close of 1957. Of the assets, 53% was invested in corporate bonds; 9% in U.S. and Canadian government issues; 26% in mortgages.

New bond and preferred stock financing announced for offering later now totals over \$1.7-billion, says the Investment Dealers' Digest.

Continental Oil's fourth-quarter earnings slid off only 6.4% and not 48.5% (BW-Feb.15'58,p55).

The oil industry's refinery capacity, is now 18% above consumption, says M. J. Rathbone, president of Standard Oil (N. J.). Rathbone figures that only 10% is needed to provide a margin against emergencies. Thus Wall Streeters generally feel that competitive conditions within the trade will continue keen until the 8% excess capacity vanishes. This may take a little time; growth in oil demand over the longer term is projected at 2% to 3% annually.

Raytheon Mfg. Co.'s earnings for 1957, excluding nonrecurring gains, totaled \$1.70 a share, not 70¢ (BW-Feb.15'58,p63). Its shares also were recently selling at some 48% above their 1957-58 low, not their 1958 low.

Inflation effects: Domestic hotel occupancy, reports Horwath & Horwath, hotel accountants, dropped last year to a 70% average, lowest since 1941. Dollar sales of the hotel trade, however, hit a new all-time peak in 1957, thanks to higher room rates and record restaurant receipts.

There will be no merger of Consolidated Electrodynamics Corp. and Cenco Corp. as earlier expected. Negotiations have been dropped due to the difficulties of merging the personalities of the two organizations.



John F. Nash, Vice President-Operation, New York Central System

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How Batteries Are Spreading Out



GROWTH STORY—All these batteries and products grew from ordinary flashlight cell (right hand); National Carbon expects similar progeny from new alkaline cell (left hand).

Missile and transistor needs take them into new fields, with added power—and new cells breed new products to use them.

The picture tells a graphic story of change and growth, with a prospect of further rapid expansion, in an industry that seems stolidly based on a limited product line—the battery industry.

The right hand of the National Carbon Co. executive in the picture holds an ordinary flashlight cell. But this simple unit can be used alone or in various versions or combinations to form the numerous batteries stacked up on the left side of the table. And these batteries, in turn, can power all the products laid out on the right side of the table.

This process of multiplication is one reason why the new cell in the man's left hand is one of the bright hopes of the small battery industry. It's one of National Carbon's new Eveready alkaline cells (BW-Feb.22'58,p78), which can sustain a heavy power drain, operate under a wide range of temperatures, and last 10 times as long as a standard flashlight cell. (It comes in two sizes; the larger one is the same size as the regular flashlight cell.)

But as a new product, it's not an end in itself. Its role is to help create other new products, so that eventually it may be able to power as many products as its conventional cousin.

• Two-Way Street—That's only part of the story of what's happening in small batteries, though. The industry's expansion is a two-way affair, in which growth proceeds in two directions at once.

· All electric cells, "dry" or "wet," can generate a swarm of other new products, make possible new technological advances, and also create new markets. A battery maker who develops a new-type cell will likely do it without any specific application on tap. National Carbon (a division of Union Carbide Corp.) knew in developing its alkaline cell that there would be a demand for a cheap source of high drain. But the cell's first applications came only later, with the unveiling this week by the Heiland Div. of Minneapolis-Honey-well Regulator Co. of a new electronic flash unit with the power equipment built into the lamphead and handle. The National Carbon alkaline cell provides up to 500 flashes, against 200 from a standard photofiash cell.

· The impulse for growth and

Unretouched photo showing typical return line corrosive action resulting from carbonic acid and dissolved oxygen in condensate.



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This section of pipe looks like new on the outside. But take a look inside. Grooving action caused by carbonic acid and deep pitting, the result of dissolved oxygen attack, have almost completely penetrated the pipe wall.

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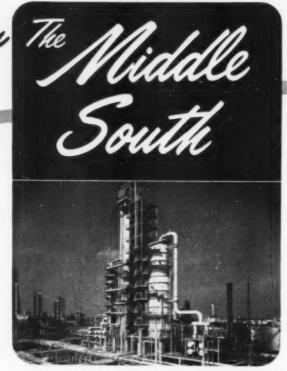
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FISHERMAN'S friend is this "fish caller," a battery-operated buzzer mechanism.

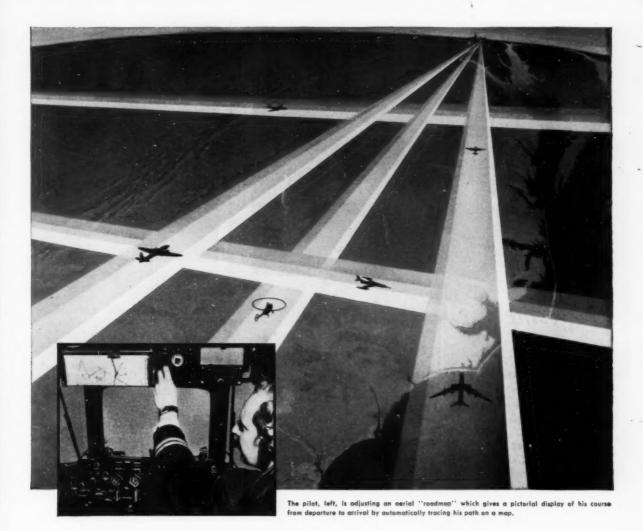
broadening in the small battery field can also come from outside. Batteries not only create new products, but are created by them. Usually, in fact, a new battery design originates with the maker of the equipment that will use it. And some of the exciting developments in the wonder industries mean rapid changes in the life of the humble battery.

With the transistor revolution in electronics (BW-Feb.2'57,p66), for example, small batteries in particular are going places in new products. Again, giant missiles, and rockets to shoot satellites into space, needed new kinds of electric cells before they could be made. So did the electric watch and the all-in-the-ear hearing aid. And despite the discrepancy in size of the final product, batteries for both watch and missile may contain cells that are about the same size.

• Open Road Ahead—Transistors, too, called for new cells—cells that combine maximum energy content and efficiency with minimum weight and size for military and scientific applications (though a transistor radio may use ordinary flashlight batteries). It's not always a matter of new cells, though; the way the cells are put together also counts. National Carbon produces about 300 batteries from 10 round and 16 flat cells.

All these developments have brought sales of small batteries (those of less than car-battery size) by the score or so companies in the field to a bit under \$200-million a year, according to the best-informed guess. But one battery maker sees dry-cell batteries for radio and electronics alone hitting the \$200-million mark by 1965 in a fivefold jump from their current \$40-million sales.

• Simple—The basis of all this—the electric cell—is an essentially simple



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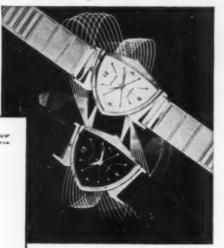
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BETTER PAPERS ARE MADE WITH COTTON FIBER





HURRICANE SAM, testing escape methods for supersonic fliers, has battery heart.

affair, as makers of both flashlight batteries and power-packs for satellites emphasize. (Strictly speaking, a cell converts chemical energy into electrical energy; a battery is one or more cells in a usable package.)

In any cell, when you put two dissimilar metals in an acid or alkaline bath, called an electrolyte, an electromotive force (voltage) develops between them. When the metals-called electrodes-are connected, a current flows through the electrolyte, carried by electrically charged atoms called ions.

In a standard 20¢ flashlight battery, the chemicals are ammonium chloride as the electrolyte, zinc as the negative pole, and a mixture of carbon black and manganese dioxide around a carbon rod as the positive pole. In other cells, the chemicals may be more complex, more expensive, hard to deal with. But the relation is essentially the same in a \$7,500 silver-cadmium battery or a \$10 lead-acid storage battery.

• The Battery Art-"You can't name a chemical battery system today," says one battery engineer, " that wasn't discovered before 1900." He adds that the battery art is in putting the materials together in a way to utilize their efficiency-and "the main thing is to try to get more power from a smaller package.

New cells and new applications have blurred the already vague line between those layman's terms, "wet" and "dry' cells-though battery makers still speak of a dry-cell industry and a storage battery or wet-cell industry. Most dry cells actually contain neutral pastes impregnated with liquid electrolytes. The close relation of the two types is illustrated by Electric Storage Battery Co.'s acquisition of Ray-O-Vac Co. last fall -a move that makes Electric Storage the only U.S. company with an inter-



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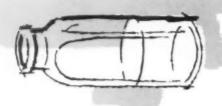
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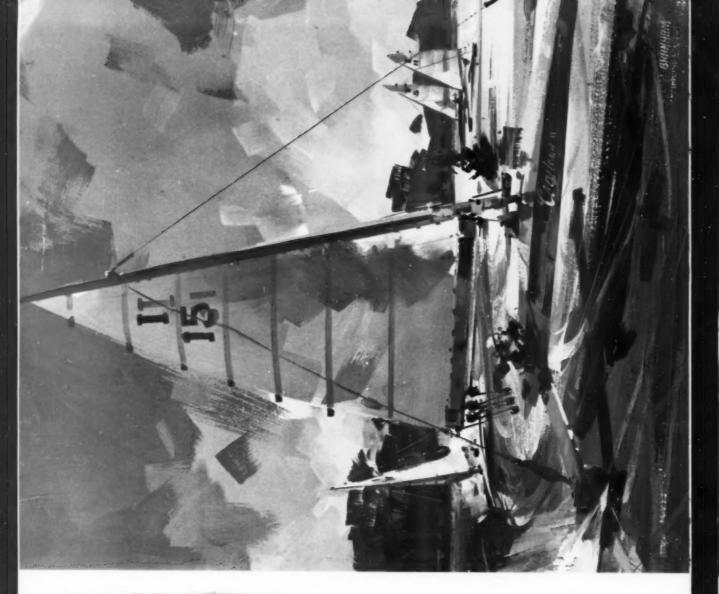
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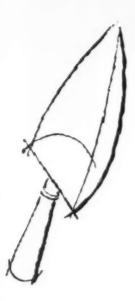


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The decision as to which chemical to try is often a lonely choice, too ... the decision of one man. But you're not alone when you ask for a sample of a Victor phosphate, formate or oxalate. Thousands do – every year – on their company letterheads. And samples are on the way before you can say, "It pays to see Victor." Write to: Victor Chemical Works, Box 603, Chicago 90.







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Dissolve one ounce of Victor Take-Hold in a gallon of water and you have the perfect solution for transplanting every type of "set out."

High analysis (10-52-17) Take-Hold solution speeds formation of early root structure...helps seedlings overcome "set back shock" at transplanting time. With Take-Hold, commercial growers not only gain the advantage of getting tomatoes, cauliflower, cabbage, sweet potatoes, peppers and other vegetables to market sooner to command "early bird" prices, they also realize as much as 25% more produce per acre.

Growers prefer Take-Hold, too, because it is completely soluble — and the solution to some of your problems may be with other Victor phosphates, formates, and oxalates. To get to the root of the matter — let us know which Victor chemical you prefer to evaluate. We'll have a sample in your hands before you can say, "It pays to see Victor." Write on your letterhead to: Victor Chemical Works, Box 603, Chicago 90.



est in all storage battery applications, according to V.-P. D. N. Smith.

A more useful distinction today may be that between primary and secondary cells. A primary cell is used for a time, then thrown away. It may have a limited shelf life, or be a reserve cell that becomes active only when the electrolyte is added. A secondary cell, usually "wet," is rechargeable for repeated use. · Alkaline Story-The alkaline cell is a good example of how the battery art moves ahead. The idea has actually kicked around for 60 years or more, going through successively more practical stages. Originally the alkaline cell was a wet cell, nonportable, large, suitable only in an upright position.

The first successful dry version added a mercuric oxide depolarizer (to prevent formation of compounds that slow the current) to the alkaline electrolyte. It was developed for military applications during World War II, first became commercially available late in 1945. Small mercury cells are used in hearing aids—and to power the radio transmitters in the Explorer satellite. But the costly mercury makes larger cells uneconomic commercially.

Last year Ray-O-Vac produced the first commercial alkaline cell without an all-mercury depolarizer. It, too, comes in comparatively small sizes.

Here's what National Carbon did: Its alkaline cell, constructed in a drawn steel can, contains no mercury at all. This makes it economical in larger sizes (for flashlight size it's 75¢, compared with 20¢ for an ordinary flashlight cell, and \$2.50 for a flashlight-size mercury cell).

• On the Way—In June, a "sandwich" cell will follow the alkaline cell on the National Carbon stage. It's called that because the zinc element is placed between two layers of the carbon-manganese dioxide mix instead of serving as a container for it, as in a conventional flat cell or flashlight battery. It will provide higher currents for cordless radios (portable, but table size) and last for 1,500 hours—that's over a year of listening at four hours a day.

Smaller and Smaller—Yardney Electric Corp. has contributed a couple more new chapters to the saga of packing more punch into smaller battery packages—small and light enough, for example, to help a missile on its way.

For a long time, says Yardney's V.-P. Martin E. Kagan, it was considered impossible to get really high power from small batteries. But a shift from the old ways of thinking brought new cells, based on the existing theories, but using more expensive materials.

Yardney developed silver-zinc cells that could provide currents as high as 500 amperes for extended periods, in packages averaging one-fifth the size and one-sixth the weight of lead-acid bat-



and sides

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teries with the same power. With small cells, material costs weren't prohibitive.

The weight and volume advantage of such cells has made possible many advances in military technology.

A Navy Bureau of Ordnance official, Kagan says, was "astounded" when he discovered that a Yardney cell being demonstrated for the Navy Bureau of Aeronautics would meet the requirements—high propulsion power from a small battery—for a homing torpedo. Experts had thought it impossible.

It's in giant missiles that weight and volume count most. For every pound in the nose cone, or last stage, of a multi-stage rocket, you may have to put 1,000 lb. in the first stage to propel it. Kagan says Yardney cells have saved 30 or 40 lb. in the last stage of some rockets—a saving of perhaps 20 tons in the first stage.

One Yardney silver-zine cell, made primarily for missiles, weighs less than 43 oz., has an output of 53.6 watt-hours per lb. It's also used in transistor products, TV kleig lights, a saw, welding equipment.

• Transition Problems—These rapid changes bring difficulties with them, too. The swing to transistors poses at least a temporary problem, especially for dry-cell manufacturers who get a big slice of income from batteries for radio and other vacuum products. Already, close to 50% of the 3.3-million portables made in 1957 used transistors. Increased sales of smaller batteries for transistor models won't immediately make up lost dollar volume in vacuum tube batteries—nor unit sales either, since transistor batteries aren't replaced so often.

Lack of standardization is a problem for big battery makers, because special designs that sell a few hundred or few thousand batteries are uneconomic. They try to promote standardization, but National Carbon's 300 battery types and Ray-O-Vac's 300 bear witness to their lack of success so far. (Between them, National Carbon and Ray-O-Vac divide an estimated 70% of the dry battery business, with National Carbon getting the bigger slice.) On the other hand, new products pose few production-line problems; new batteries mostly use existing cell types, and new cells often have structures similar to old ones.

It's the companies riding the crest of the twin booms in transistor use and military applications that can get ahead fastest. Yardney, for one, boosted sales from \$175,000 in 1950 to \$6-million last year. But even companies threatened by loss of vacuum tube business are bullish. They point out that 25-million vacuum radios are still in use, argue that transistors will bring out many new battery-powered appliances—perhaps, by 1960 or earlier, portable, battery-powered television. END

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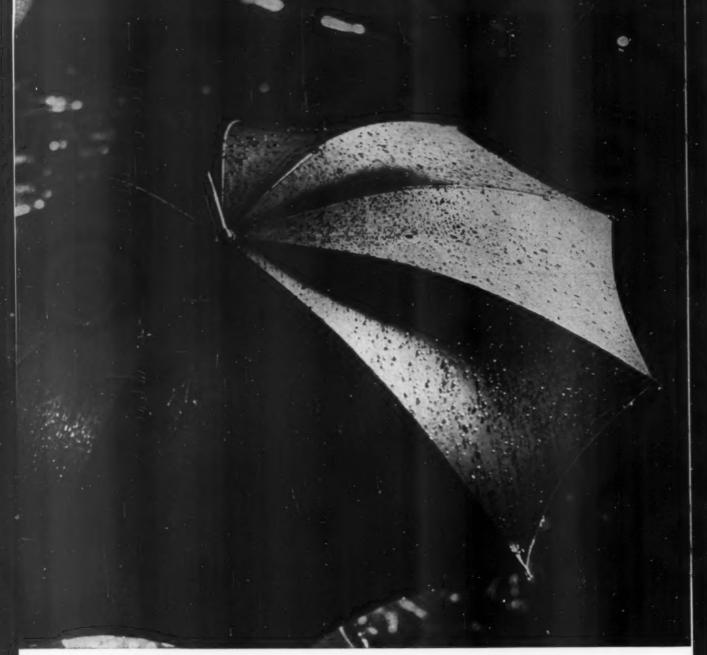
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NEW PRODUCTS



Tiny Navigator for Your Boat

This compact battery-powered radio direction finder is not much bigger than a pencil—yet it will chart a course for your boat for days at a time.

All told, the set weighs just over 7 lb.—the direction finding unit itself 1½ lb. and the transistorized radio receiver that goes with it 54 lb.

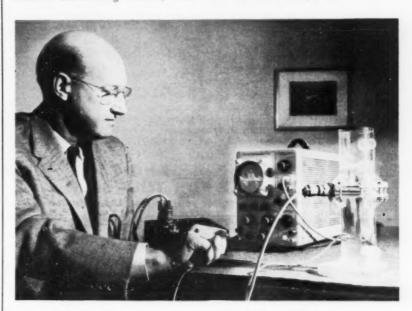
that goes with it 5½ lb.

Power comes from four dry cells. It can operate continuously without a change of batteries for 500 hours with earphones or 350 hours with a loudspeaker. The receiver will pick up standard broadcasting stations, trans-

mitting between 570 kc. and 1550 kc., as well as marine and aeronautical beacons between 150 kc. and 420 kc.

Accurate within 1 degree, according to the maker's claim, the set boasts a range of 200 miles when homing in on standard broadcast stations, 50 miles on the lower-power beacons.

Manufactured in England by Brookes & Gatchouse, Ltd., the equipment will be sold in the U.S. by George D. O'Day Associates, Inc., 9 Newbury St., Boston. Price of the receiver is \$236; the direction finder, \$115.

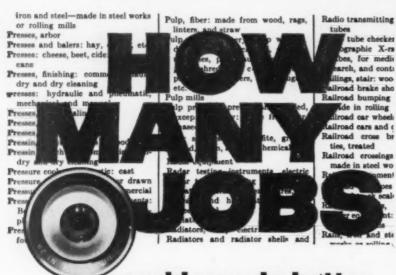


Bubble-Burper for Liquid Fuels

Bubble, bubble can really mean toil and trouble for rockets and hydraulic systems. Bubbles make the rockets explode and the hydraulic systems fail. It's not hard to get rid of them if you know where they are. But how do you

look inside a zooming rocket to find out if there are bubbles in the liquid fuel?

AiResearch Mfg. Div. of Garrett Corp., Phoenix, Ariz., has come up with a bubble counter to solve that



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We know it fills hundreds of business needs today, because we have furnished GPL Industrial TV systems to such companies as Bell Aircraft, Brookhaven National Labora-

TORY, CHRYSLER, CONSOLIDATED EDISON, CONVAIR, FIRESTONE, GENERAL MOTORS, LINK AVIATION, MARTIN, NEW YORK SAVINGS BANK, U. S. STEEL.

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Made by one of the world's leading manufacturers of industrial, military, and broadcast TV systems, this is top quality equipment—simple,

inexpensive and versatile. It gives bright, clear pictures and its light requirements are small. Anyone can operate a GPL Industrial TV system.

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problem. The "cavitation detector" sets up an electromagnetic field around the pipe or duct through which the liquid passes. A bubble will change the magnetic characteristics of the liquid at any given cross-section. The difference is shown on an oscilloscope.

The bubble counter not only detects bubbles, but can turn on a device to get rid of them. With proper circuit adjustments, it can sense almost any kind of gas in any kind of liquid, according to AiResearch. It has passed every test so far, but all possible combinations of gases and liquids have not yet been tested.

Sensing elements in the counter are specially made to fit a given pipe. So far there are no limitations on size, although AiResearch had some trouble with a pipe \(\frac{1}{2} \) in. in diameter. It licked the problem by using jeweler's tools. The counter has found bubbles 1/20 in. in diameter in a 6-in. pipe.

The company is making the device available in limited production. Price depends on the size of the sensing element needed, the number of counters ordered, and on the types of liquid for which they'll be used.

NEW PRODUCTS BRIEFS

Extra playing life for tape recordings will result from a new type of thingauge Mylar polyester film developed by du Pont. It is designed specifically for the magnetic tape recording industry. Although it's only a half-mil thick, it has about twice the tensile strength of standard Mylar tape. Trademarked 50 Mylar T, it will sell for \$4.50 per lb.

A ceramic material as strong as cast iron has been developed by the Coors Porcelain Co. of Golden, Colo. Aimed at the high-temperature market, this 99% aluminum oxide ceramic has a tensile strength of 34,000 psi., 75% of which it retains at 2,000F. Its electrical in sulating characteristics, too, are superior, opening up new vistas in microwave electronic tube applications. The material can now be furnished on a production basis, according to Coors.

Folding doors made up of adjustable vertical louvers offer houseowners still another means of controlling light and ventilation. Each vertical louvered panel is 8½ in. wide, with an airfoil shape. Stock doors, of Philippine mahogany, come in widths ranging from 2 ft. 4 in. to 4 ft. The doors need no floor track, sliding back and forth on a single heavy-duty overhead track. They are made by Consolidated General Products, Inc., 24th and Nicholson Sts., Houston. Price: \$45 to \$65.



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In Business Abroad

Guatemala's Economy Shows Signs of Perking Up

Until recently, Guatemala was living under a cloud of unsettled political conditions, and United Fruit Co.—the country's biggest business enterprise—was facing a court trial on the Justice Dept.'s anti-trust suit.

Now, with Gen. Ydigoras elected as president and Unifruit's consent decree announced, Guatemala's economy seems to be picking up speed, with these de-

velopments:

• Unifruit is starting a \$16-million, five-year expansion program to boost East Coast banana output from the 1955 low of 400,000 stems to around 4-million stems. That will increase Unifruit's labor force from 3,500 to some 8,000 and its acreage throughout Guatemala from 21,600 to 35,300. Under the program, the company's banana exports should rise from 4.5-million stems annually to over 8-million.

• Pres. Ydigoras, in visits to Central American capitals and Washington, has been campaigning for speedy implementation of Central America's rudimentary "common market." He is pushing to eliminate border restrictions for travelers and commercial shipments, and to make gradual reductions in import-export duties on goods flowing between the Central American

countries.

France Will Enter Peugeot 403 In Race for U.S. Small Car Market

French auto makers are convinced there's a biggerthan-ever market in the U.S. for their cars this year.

As one sign of this, Renault, France's top auto producer, and fourth-ranking Peugeot agreed to launch the Peugeot 403 sedan here, using established Renault outlets. The Peugeot 403 is a four-door, four-cylinder car, slated to sell here for around \$2,175.

During 1957, Renault sold roughly 30,000 cars, mostly Dauphines, in the U.S. It expects to double that figure this year. To speed up deliveries, the company has a

fleet of six ships under charter.

Euratom Chief to Visit U.S. for Talks On Plans for Power Reactors

Louis M. Armand, president of Euratom—the sixnation atomic energy community in Western Europe will visit the U.S. in mid-April to discuss construction of European power reactors.

The Euratom group—West Germany, France, Italy, and the Benelux countries—expects to build four to six large atomic reactors over the next five years. The group

MORE NEWS ABOUT BUSINESS ABROAD ON:

• P. 85 Protectionists Gather Strength for Upcoming Battle Over Tariffs

 P. 88 Fur Buyers Scramble to Bid for Pelts at Huge 'auction in London

says it needs some 15-million kw. of atomic power capacity by 1967 to meet Europe's fast-growing energy needs. It hopes to get help from the U.S. for at least 1-million kw. of this amount.

Meanwhile, the Joint Committee on Atomic Energy in Washington is pushing the idea of increased overseas business as the best means of giving the U.S. atomic energy industry more construction and operating experience. One proposal, put forward by Dr. Chauncey Starr of North American Aviation's Atomic International Div., calls for government subsidies for U.S. manufacturers to build 10 reactors abroad in the next 10 years.

Latest in Transaltantic Cables

To Link Canada-Britain by Phone

A newly designed \$27-million transatlantic cable between Britain and Canada will be put into service in 1961. The cable was designed and engineered by the British General Post Office, and will be owned jointly by Canadian Overseas Telecommunication Corp. and the British operating company, Cable & Wireless Ltd.

The cable will make the third telephone link between

North America and Europe.

Business Abroad Briefs

New ventures:

In Venezuela, Molinos Nacionales C.A.—an offshoot of International Milling Co., Minneapolis—will open in June a flour mill with daily capacity of 4,000 hundredweight of flour. The mill, located at Puerto Cabello 75 mi. west of Caracas, will include 10 grain storage tanks with combined capacity of 500,000 bu. of grain, plus a packing and warehouse building. . . .

In Italy, Amsler Morton Corp. of Pittsburgh and ILVA of Naples are forming a company, called Italamco, on a 50-50 basis to build industrial furnaces. . . .

In West Germany, United Engineering & Foundry Co., Pittsburgh, and SIEMAG, with headquarters in Dahlbruch, have concluded a two-way agreement to exchange knowhow on rolling mill equipment and techniques. . . .

In Israel, subsidiaries of Alliance Rubber Co. and General Tire & Rubber Co.—both of which have plants in the central part of the country—are asking government approval to build a \$1.5-million tire factory at the Red Sea port of Elath for tire exports to Asia and East Africa.



THE "BLOW"--EXCITING MOMENT IN MAKING BASIC OXYGEN STEEL AT JAL'S ALIQUIPPA (PA.) WORKS

BHOTO BY HARE

New at J&L-Basic Oxygen Steel

There's a new steelmaking process—exciting, different, highly efficient—and J&L has it at its Aliquippa (Pa.) Works.

In the "Basic Oxygen Process," a jet of pure oxygen is directed through a water-cooled lance onto the surface of the molten iron in the furnace. This sets up the reaction that converts the molten iron quickly into steel of high purity and ductility.

This new installation, built at a cost of \$11 million, is another example of forward thinking at the "new"

J&L—the *modern* steel company the nation's fourth largest producer of steel and steel products.



Jones & Laughlin

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IMPALA SPORT COUPE—superspecial hardtop of the Bel Air Series! There's no mistaking the Impala's fine Fisher Body. Like all other Chevrolet models, it has Safety *Plate* Glass all around for sharper seeing.



BEL AIR SPORT COUPE—it's easy to see why this one's so popular. Here's dashing hardtop styling with a colorful, comfortable interior!



BEL AIR 4-DOOR SEDAN—looks big and roomy, and it *is!* All new Chevrolets are nine lively inches longer, four inches wider. All are lower, too.



BEL AIR 2-DOOR SEDAN — a beauty, all right, and built solidly. New Safety-Girder frame accounts for that firm feeling on the road.



BROOKWOOD 4-DOOR 6-PAS-SENGER—you get bigger tires and springs... and 88 cubic feet of load space with the rear seat folded!



DELRAY 4-DOOR SEDAN—the beautiful way to be extra thrifty. There's fresh styling and fine appointments, too, in this lowest priced series!



DELRAY UTILITY SEDAN—and here's the beautiful way to be businesslike. This Delray's rear compartment was made for salesmen's samples!

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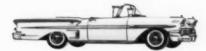
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CORVETTE — America's only authentic sports car! Offers five V8's, two with Fuel Injection;* three drives, including 4-speed manual shift.*



BEL AIR SPORT SEDAN—with Turbo-Thrust V8* and Turboglide,* you'd have the smoothest power combination in Chevrolet's class.



NOMAD—star of a high-styled fivewagon lineup for '58! Seats for six in this one. Choose any Chevy engine; up to 280 h.p. in V8's.



BISCAYNE 4-DOOR SEDAN—in Chevrolet's middle priced series. Biscaynes, you'll notice, have a bright look of beauty that's all their own!



BISCAYNE 2-DOOR SEDAN—ready to take you for a super-smooth ride with Full Coil suspension at all 4 wheels! New air ride* is also offered.



BROOKWOOD 4-DOOR 9-PAS-SENGER—you can take half the neighborhood to school in this one! Upholstery is easy to keep clean.



DELRAY 2-DOOR SEDAN—you'll save with a Delray and still get everything Chevy's famous for: smooth ride, easy handling, real performance!



YEOMAN 4-DOOR 6-PASSENGER—comes with any one of Chevrolet's superb new engines. For biggest savings, choose the new 145-h.p. Six.



YEOMAN 2-DOOR 6-PASSENGER—pile the family in and you're out for a good time; put in a cargo (up to a ½ ton) and you've got a real worker!

Here's Chevrolet's whole happy family. Here's styling that sets a new style—new developments in riding comfort that make the high-priced cars jealous—new peaks of performance (V8 or 6) in every model. Don't miss seeing and driving a '58 Chevrolet before you buy that new car. It's a beautiful way to be thrifty! . . . Chevrolet Division of General Motors, Detroit 2, Michigan.







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Delivery to your job site is fast. Speedy installation is assured by experienced, responsible HAUSERMAN erection crews. The initial cost of this new wall system is low and the long-term economies it will afford you are great. For the complete story call your nearby HAUSERMAN representative. He's listed in the Yellow Pages (under PARTITIONS).



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Free Booklet

More Push Behind Protection

- The Administration is trying manfully to extend reciprocal trade for another five years—against mounting sentiment in Congress for higher tariffs and quotas.
- The business slowdown at home and increased foreign competition have strengthened the protectionists' case.
- It looks as if the trade program won't be liberalized; there may even be some new and higher barriers.

Not since 1934, when Congress first passed the Reciprocal Trade Agreements Act, has there been such gusty public debate on Capitol Hill over U.S. trade policy. This week the House Ways & Means Committee is at the half-way mark in heated hearings on the Administration's proposal to extend RTA for the 11th time—for five years this time instead of the usual three. And today government officials are conceding openly what Congressional leaders of both parties have been saying for months:

The pressure to give U.S. producers more protection against increasing import competition is so strong that it can at least stall a 25-year trend toward lower trade barriers. It might even bring the first tariff and quota hikes since the days of Hawley-Smoot restrictionism.

• Who Wants Protection?—This pressure has been mounting, quietly but steadily, throughout the recent boom in world trade. Behind it is a growing group of businesses with a basketful of complaints. Under irritation from foreign rivalry in a softening economy, they have now united into a powerful and articulate lobby, backed in many cases by the workers they hire.

Among the protectionist interests are domestic producers of products as diverse as bicycles, canned tuna, chemicals, clothespins, coal, cordage, electrical equipment, gloves, metals and minerals, oil, plywood, rubber balloons, safety pins, textiles (cotton and wool), umbrella frames, and watches.

Through their trade associations come bleats such as these:

• The Synthetic Organic Chemical Manufacturers Assn. wants protection against West German competitors.

• The American Coal Assn. joins the Independent Oil Producers Assn. of America in crying for new quotas restricting oil imports from Venezuela and the Middle East.

• Smaller domestic lead and zinc miners, via an industry emergency committee, seek higher tariffs and quotas to stem competition from Mexico, Australia, and Canada. • The Cotton Textile Manufacturers Assn. pleads for trade walls to ward off rival goods from Japan.

• Potent Groups—Many smaller companies have banded together in broad, general lobbies. The leaders are the old American Tariff League and a relative newcomer, the Nationwide Committee of Industry, Agriculture & Labor on Import-Export Policy, which claims to represent 165 industry groups.

The arguments marshaled by protectionists are as diverse as their product lines. One is that imports threaten industries that are vital to national security—a claim made by producers of heavy electrical equipment, jeweled watches, cordage, and wooden boats. Domestic independent oil producers and nonferrous metal miners vary this theme: They say development of needed raw material reserves at home is being stunted by increasing dependence on supplies from abroad.

Another contention is that imports are throwing people out of work—in Southern cotton textile mills, New England manufacturing towns, Western mines, and Northwest lumber and fishing camps.

• Free Traders—Protectionism splits many industries and cuts across party lines. For example, the big oil companies are on the side of liberal trade because of their foreign interests. Makers of autos, business machines, and farm equipment are on the same side because of their overseas markets and their overseas operations. They are joined by metals and minerals processors that rely on foreign materials, professional farm and labor groups, retailers, and shippers.

In dollar volume of sales and total employment, the protectionists don't come close to their colleagues who depend on overseas markets and overseas operations for a substantial part of their profits.

Traditionally, the South was the stronghold of support for free trade, so that it could sell its farm goods abroad. But with industrialization, this is no longer so important, and some votes

have already switched on Capitol Hill. The change has been abetted by the shift of textiles to the South and by government price supports, which make export markets less vital to farmers.

Then too, postwar industrial recovery in Japan and in the highly industrialized nations of Western Europe, coupled with stepped-up raw material production in less developed areas such as Latin America and Africa, has heightened competition with the U.S.

Take our imports from Japan. These have grown from \$182-million in 1950 to about \$600-million in 1957.

Or take U.S. purchases of machinery, vehicles (excluding autos), and metals and manufactures from Western Europe. These have grown from around \$320-million in 1950 to about \$900-million in 1957-though at the same time our exports of the same products to Western Europe have climbed from just under \$800-million to very close to \$1.5-billion.

• Recession the Crux—One big obstacle to Administration efforts to continue liberalizing foreign trade is the recession at home. If the slowdown should even look to Congress like a prospective "hair-curler," then the trade extension bill will either be killed outright or nullified by the addition of loopholes or specific commodity quotas—or possibly both. By that time, foreign nations would be raising their own trade barriers.

• To the Defense—Now that the strength of the protectionist opposition has shown itself, supporters of RTA have begun their counterattack. And the Administration is stressing the broader benefits of liberal trade in the strongest language it ever has used:

Pres. Eisenhower has told Congress the bill is vital to economic self-interest, to U.S. allies, and to meet the latest Communist challenge of trade and aid.

• Commerce Secy. Sinclair Weeks testified that 4.5-million U.S. jobs depend on a \$20-billion export market.

• Secy. of State John Foster Dulles termed economic war more threatening than a shooting war.

Defense Secy. Neil McElroy described the trade program as essential to overseas military support.

Then, private groups are throwing their weight behind the Administration's program, including the Committee for a National Trade Policy, the U.S. Council of the International Chamber of Commerce, the National Foreign Trade Council, and the U.S. Chamber of Commerce.

• Protectionist Goals-But at the same time, the protectionists are pushing



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Division of Industrial Planning & Development, State of Illinois, Springfield, Ill. William G. Stratton, Governor.

hard for amendments that would negate the program without their having to defeat it outright. They are asking that:

• The President's power to negotiate tariffs and commercial treaties through the international General Agreement on Tariffs & Trade be severely curtailed or transferred to Congress, and the proposed Organization for Trade Cooperation be rejected.

• The Tariff Commission be given

new power to raise tariffs and quotas.

· Specific items suffering from import competition be protected by Congressional quotas.

· RTA be extended for less time than the five years requested.

• Concessions-The Administration has tried to relieve some of the protectionist complaints. It promises to raise tariffs selectively and to reduce them only in cases where, in Weeks' words, the rates "are still on the high side." And government spokesmen have voiced willingness to accept some amendments, including commodity quotas, in the interest of extending the law at all.

A number of producers have won some sort of concession-voluntary quotas on cotton textiles from Japan and tariff boosts for safety pins and clothespins, for instance.

· Aids to Adjustment-The answer to specific economic problems, liberal traders argue, is not in breaking world trade patterns, but in helping our producers adjust to changes in those patterns.

Along this line, there is one darkhorse compromise that may save the extension bill from emasculation or defeat-a proposal to set up a federal trade adjustment board to handle government programs that would help companies, communities, and workers who can show actual injury from import

competition. The board, made up of officials of various government departments and agencies, would administer stepped-up loans, tax benefits, unemployment compensation, and worker training programs after the Tariff Commission found import injury. The idea is being pushed hard by the freer traders and the Committee for a National Trade Policy, and it has been endorsed by the AFL-CIO. The White House at first was cool, but spokesmen now say Labor Secv. James P. Mitchell may possibly swing the Administration behind the proposal when he testifies at the House hearings.

Meantime, the Administration's supporters are trying to prove that many of the protectionists' complaints are unfounded. For example, the Committee for a National Trade Policy is pointing to a statement by the president of Bell & Howell that his company has been helped, not hurt, by the competition from German and Japanese cameras. END



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Steel for China

Japanese companies sign private \$280-million swap for iron ore and coal. Other industries may seek to follow.

While a semi-official trade mission from Tokyo was negotiating a barter agreement in Peking last week, Japanese steelmen barged ahead and signed a private, five-year agreement with Communist China. The deal involves a two-way, \$280-million swap of Japanese steel products for Chinese iron ore and coal.

The private agreement was a blow to Premier Kishi's anti-Communist government. Now other Japanese industries are likely to press for deals with Communist China. Beyond that, Peking can use this desire for steppedup trade with the mainland as a political instrument against Kishi's govern-

ment in Tokyo.

• Extreme Fears—Peking has demanded nearly full diplomatic recognition as part of any broad trade agreement. Tokyo has stalled on this point. But Japanese businessmen have been pushing hard for any means of boosting trade with China. They are almost hysterical over the U.S. recession. They fear it will ruin Japanese markets throughout the world, particularly in Southeast Asia, because of the drop in earnings in commodity-exporting countries. They also are worried over growing protectionism in the U.S.

On the face of it, more trade with China won't help much. To fill out its part of the new steel agreement, China will have to ship soya beans, rice, and agricultural produce—most of which Japan doesn't need. Besides, Japan's steel industry already has big inventories of iron ore—and Manchurian coking coal, while cheaply transported,

isn't high grade.

• Leverage—Japanese steelmen wanted the agreement simply because their industry is overexpanded. Japanese exports over-all are still moving at last year's \$3-billion clip. But the steel industry operated at 90% of capacity during 1957 for lack of sufficient orders. Capacity is even greater this year. The industry also wanted a Chinese agreement as leverage in negotiations now beginning with India for iron ore.

The agreement has only partly solved the problem of pricing. But in any case, the Japanese steelmen have outmaneuvered Kishi's government. The semi-official trade mission will either have to meet Peking's political demands or return empty-handed—creating new troubles for Kishi from exporthungry businessmen in Japan. END

30,335 Feet UP!



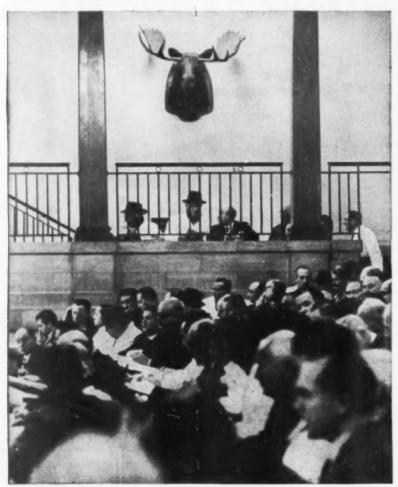
When Capt. James E. Bowman of the U. S. Army Aviation Board flew the Cessna YH-41 to a new helicopter world altitude record of 30,335 feet, he added another to the long list of major performance records already held by Continental aircraft power. Capt. Bowman's mark, exceeding by some 3,400 feet the previous helicopter record, underscores again the wisdom of engineering the power to its job. The YH-41's Continental FS0526 engine is designed expressly for helicopter use . . . fancooled for efficient cooling in submerged installation . . . supercharged for maximum power. Its horizontal configuration permits the engine to be located forward, bringing the load directly below the rotors—an ideal situation in helicopter loading arrangements. Finally, the interchangeability of many parts with those of other models in the Continental aircraft engine line tends to simplify service, and reduce its costs.

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Furriers Flock to London Mecca



FUR AUCTION in Beaver Hall draws nearly 400 buyers, who compete for the pelts of Persian lambs from Africa, tiger skins from Bengal, mink from Canada, sable from Siberia.



WORLD EXPERTS examine ticketed and graded furs. Proper sorting of skins into lots of similar quality and appearance increases the price the individual pelts bring in auction.

About \$20-million worth of the world's finest pelts changed hands last month at industry's most important auction.

Last week, in London's Beaver Hall, nearly 400 fur buyers were ready to head home, after bidding \$20-million on fur pelts shipped from as far away as northwest Canada and eastern Siberia (pictures).

Despite the growing importance of New York and Montreal, London is still the world fur trade's business hub. And February is the month for the season's first crop of fine wild fur. This year, the buyers, chiefly from the U.S. and West Europe, competed for Canada's large offering of pelts ranging from muskrat to ocelot, for Persian lambskins from Southwest Africa, and for \$5-million worth of Russian sable, lamb, mink, and ermine.

• Pre-Auction Chores—For weeks before the auctions, thousands of pelts arrived by sea and air at the warehouses of London's three fur-auction firms. About 50,000 skins came by DC-7Cs from Scandinavia. On the pre-auction racks were lambskins shipped from Afghanistan across the Khyber Pass.

A week before auction time, the arduous process of sorting skins by quality and appearance—which helps boost their price on the auction block—gets under way. During this period, Hudson's Bay Co., king of fur trading since its founding in 1670, adds 80 temporary sorters to its regular 60-man staff. Then, British and foreign buyers, representing both wholesalers and manufacturers, roam the multi-story warehouses, picking lots on which to bid.

Then, the buyers move to Beaver Hall for the fast-moving auctions. The high-ceilinged hall, traditional auction headquarters, is owned by Hudson's Bay. By tradition, too, the company's auction house—Goad, Rigg & Co.—runs the show, with Robert F. Goad calling the lots and scanning the room for the tell-tale nod, raised cyebrow, or signal from one of his eight assistants.

 Fashion Market—This year's sales brought prices slightly above the level last year. But while other commodities fluctuate widely, fur prices have held fairly steady since pre-World War II.

Even so, it's still a fashion market. In the postwar years, mink and Persian lamb (which no longer comes from Persia) have led the market. A prime Norwegian mink pelt sells for about \$50—and it takes around 80 female skins for a full-length mink coat. (Male mink skins, usually of lesser quality, go



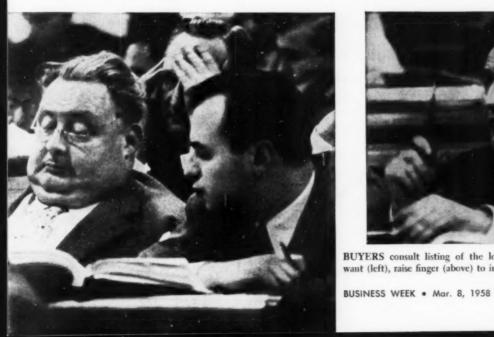
AUCTIONEER prepares to open bidding on fur "lots."



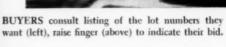
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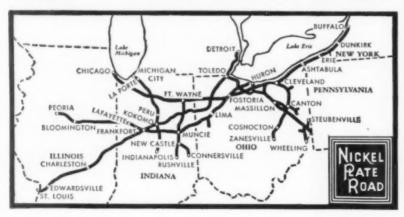


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into stoles.) While red fox has gone off the market entirely, muskrat—known in Europe as musquash—has been a big seller since postwar improvements in coatmaking and dyeing.

Other factors also affect price. It can depend on the area from which the fur comes. For instance, a muskrat pelt from the Mackenzie River usually brings 10% less than ones from Alberta or northern Manitoba because it's more wooly. Silver and blue fox from ranches are superior to wild skins. Bites or gunshot holes, of course, lower a pelt's price. In addition, the price buyers will pay follows the ups and downs of general business conditions, which affect the pocketbooks of fur customers.

• Skin Game—Just financing the auction trading is a big job. Buying terms include 21 to 30 days for settlement. Thus, the selling brokers have to provide large sums—as high as \$11-million in a big sale—for immediate payments. The difference between what the Canadian trapper gets for his pelt and what it sells for in London may be as much as 20%, but the average is 10%.

• The Hudson's Bay Empire—London's first-class warehouses, grading facilities, auction firms, and central location between buying and selling countries keep it the leader in marketing furs. And the city is headquarters for the largest fur trader—"The Governor and Company of Adventurers of England Trading into Hudson's Bay," as Hudson's Bay Co. is officially named. It got this title when Charles II granted it a royal charter to trade and rule in the unexplored Canadian wilderness.

It still plays a big role in the Canadian economy. From its early trading posts—when the price of a rifle to an Indian was a stack of beaver skins as high as the rifle—the company has developed a chain of department stores and smaller outlets. It operates fur auction houses in Canada. It holds mineral rights to several million acres. Along with Continental Oil Co. of Delaware, it owns Hudson's Bay Oil & Gas Co., Ltd.

• Fur Broker—But the "Bay" hasn't neglected furs. Its posts rim James Bay in Quebec and Ontario, supplying bait, beans, and merchandise for trappers—and buying their pelts. It gets raw fur direct from Indian, Eskimo, and white trappers—but the company now acts mostly as a broker. In offering everything from 200,000 squirrel pelts to 800,000 Afghan and African lamb pelts at the auctions last month, the company was serving chiefly as broker—owning only 10% of the pelts.

"Bay" ships some furs—for example, Lake Winnipeg mink—to London for sale in December and January. But like other traders, its big month is February, when animals such as beaver and muskrat are thick-coated with fur. END

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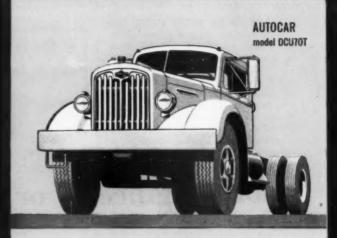
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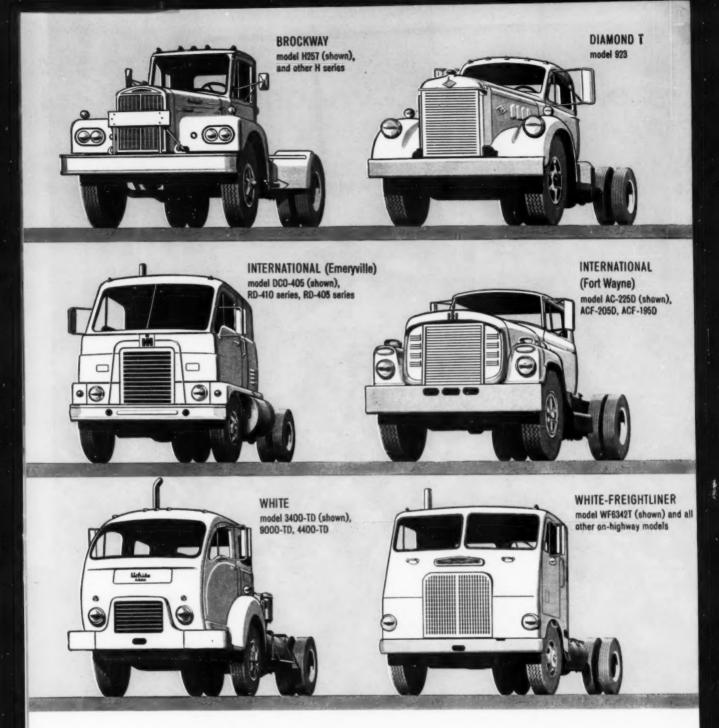
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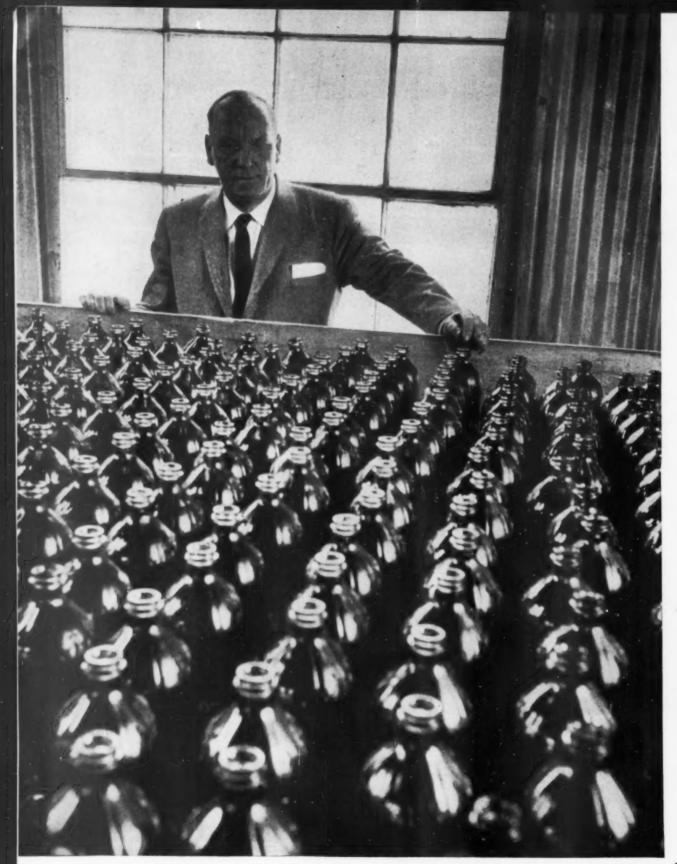
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PRESIDENT looks at the Knox's money product: glass bottles. Half of production is now in food containers, which are profitable.

INSPECTOR looks at bottles parading past him on a moving belt. High quality control standards are among Wishart's innovations.

MANAGEMENT

Pulling a Company Out of a Hole

Pres. Arthur Wishart (pictures) gave Knox Glass its first management staff, a modern accounting system, and a new outlook.

Arthur W. Wishart (pictures) presides over a company that hasn't paid a dividend for the past eight years. Yet its future is beginning to look much

more cheery.

When Wishart became president of Knox Glass, Inc., of Knox, Pa., four years ago, he inherited the problems that pile up in many family-run enterprises: lack of central management, a go-as-you-please production setup, heavy debt, sketchy accounting. He had the opportunity, rather rare these days, to build a modern management system almost from scratch.

In these four years, Knox Glass, maker of bottles, has expanded sales faster than the glass-container industry's average, has enlarged earnings from \$1.03 to \$7.18 per share. Last year, it rang up \$32-million in sales—fourth in an industry dominated by big companies, led by Owens-Illinois Glass Co. Knox has about 2,500 employees.

I. Go-Getter

Knox Glass was founded in 1917 by Roy Underwood, a salesman of unusual persuasive powers. "He could walk into a town, gather up the local businessmen, and mesmerize them into putting up all the cash for a new glass plant in exchange for 60% of the stock," says an acquaintance. He adds that the same tactics worked on suppliers and other creditors, who often accepted stock in lieu of cash.

By 1951, Knox had a string of 11 small plants, some with outmoded equipment and others badly situated in relation to markets—and all going their respective ways as virtually autonomous businesses. With such a high-cost, uncoordinated operation, Knox had sales of \$28-million in 1951, yet was scraping the bottom of the barrel for cash.

Roy Underwood was his own president, treasurer and controller, legal counsel, production manager, and sales executive. The company had never had an outside audit or any modern

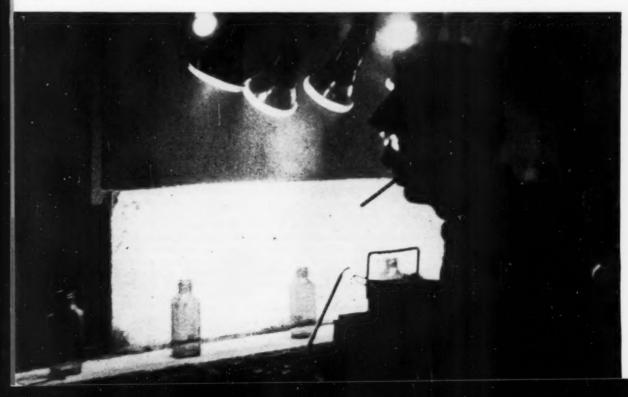
accounting system.

• Collapse Threatens—At this point, Roy Underwood died in an auto accident, and his brother Chester took over. The company faced more than \$1-million in tax liens. It was running out of working capital. Chester Underwood turned to Commercial Credit Corp., a factoring house, for a loan.

The first result of this loan application was an independent audit—the first in the company's history. The auditors wrote off \$4-million of the \$19-million carried on the books as as-



WISHART jumped at a chance that's rare these days—to build a modern management system almost from scratch.



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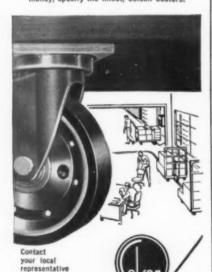
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WISHART sees no dividend soon. "We'll have to build up some strength first."

sets. However, in the end, Knox got the \$2-million loan it wanted, pledging its receivables.

Next year, 1952, Chester Underwood raised another \$1.5-million in working capital by selling two plants. The shrunken company managed to sell \$19-million worth of glassware, down \$9-million from the year before. · Uprising-By then, stockholders led by one of the directors, Victor T. Norton-president of Amerace Corp. and now chairman of Knox-were stirring restlessly. Chester Underwood was forced out of the company in December, 1953, and an executive committee headed by Norton ran the business until Wishart's appointment in September, 1954.

Wishart, then 43, was a Ph. D. in chemistry who had learned the glass business at Corning Glass Works and had then gone to Westinghouse Electric Corp. to set up a large glass-manufacturing division to produce for the company's own needs. He was at loose ends because Westinghouse had aboutfaced and decided to continue buying its glass from Corning.

"It was like retirement at full salary," Wishart recalls. "There wasn't much for me to do, so I left."

II. Legacy of Woe

Wishart had no illusions about the size of the job at Knox Glass. He had seen the figures and some of the plants.

In September, 1954, the company listed current liabilities of \$9.2-million, against current assets of only \$6.5-million. The tax collectors were getting more and more insistent.

• Lagging in Industry-Like many of the 40 or so other smaller companies in the industry, Knox was being left behind by change. The few big glass companies have for years been broadening their product lines, relocating their plants to combat the rise in freight rates, installing high-speed machinery to compete with metals and plastics in markets that once belonged without question to glass.

The realignment of the big producers left specialty lines to the small companies—types of container where a little plant can still make money on low volume. These are the crumbs in a \$750-million market for glass containers. But Knox wasn't even getting the tastier crumbs in 1954.

Its biggest single line (over 30% of production) was in bottles for domestic wine. Volume in these bottles looked deceptively good—deceptively because profit was negligible. Plants were wholly uncoordinated, producing more or less what and when their managers pleased.

• Catching Up—In four years, Knox has closed uneconomical plants and moved closer to its markets. It has also upgraded its product mix to gain more sales stability and better profit margins. Its business, today spread over 3,000 accounts, is 50% in food containers, 25% in bottles for drugs and cosmetics, 15% in beverage containers, and only 10% in wine bottles.

Next June, the company plans to open a new \$2.5-million plant in Danielson, Conn., aimed at exploiting the New England market, and it is considering another in the Southeast.

To free itself from dependence on big companies for all technological developments through licensing agreements, Knox has also produced a glassmaking machine for its own special needs. The new J-K machine costs \$100,000 and, says Wishart, produces a stronger bottle with 20% less glass. A similar but higher-volume machine bought from a big company such as Owens-Illinois would cost \$500,000, according to Wishart, without any gain for Knox's type of operation.

III. Uphill Battle

Something even more fundamental had to be done three and a half years ago, however, to put Knox on the right track. That was the establishment of an entire top management staff and of standard accounting procedure.

To bring Knox up to date, Wishart first concentrated on installing budgetary controls, a cost system, and coordinating executives to pull together the go-as-you-please plant operations. First he brought in a treasurer and chief accountant, next a manager of manufacturing, and later a sales and marketing executive.

Then he tackled production and



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as Central Utilities Atomic Power, these utilities will share in the research and development costs: Northern States state Power Co., Iowa Power and Light Co., Iowa Southern Utilities Co., Madison Gas and Electric Co., Mississippi Valley Public Service Co., Northwestern Public Service Co., Ottertail St. Joseph Light and Power Wisconsin Public Service Corp. ... PIONEER SERVICE & ENGINEERING 231 S. La Salle St., Chicago, III. Central Electric and Gas Co., ower Co., Power Co.. of atomic energy application. Today Pioneer is qual-ified as a consultant to industry in the application of

cial atomic power plant shown here. Allis-Chalmers Mfg. Co. is the prime contractor. Scheduled for 1962 completion, the plant, for the Northern States Power Co., will be known as the "Pathfinder". Presently, Pioneer is acting as architect-engineer and supervisor of construction of the 66,000 kw commer-

schedules and quality control systems. Over-all costs on furnace operations, for example, were cut 15% by careful maintenance. Under old management, furnaces were shut down every six months for two or three weeks; now they are shut down once in three years. · Under Handicaps-Wishart found no smooth course in his work of reshaping the company. He had all sorts of distractions, mostly related to Knox's shortage of working capital.

Shortly after he took control, for in-

stance, he got a frantic call from the manager of a Southern plant, reporting that the state tax collector was sitting in the office, demanding payment of overdue taxes before he left. Wishart told the manager to stall the collector, and to lock his office door if necessary, while he rounded up the money to Within an hour, he cover the taxes. had found enough cash to pacify the collector.

maintenance costs, rebuilt existing equipment, devised tight production

A still grimmer prospect of insolvency was opened up by another inherited problem from the Underwood regime. The federal government claimed a dismaying \$909,000 in back taxes and threatened to liquidate the company.

Years earlier, Roy Underwood had succeeded in getting a judgment for more than \$1-million in a suit, along with other glass manufacturers, against Hartford Empire Co., maker of glass container machines, charging restraint of trade. Against the advice of lawyers, Underwood had decided that this was not taxable income, and he had refused to declare it. Wishart and the new management group were able to keep the company's doors open only by negotiating for payment of the tax and

penalties over a period of years.

Meanwhile, Chmn. Norton was suing the Underwood family for "unlawfully diverting monies" amounting to more than \$1-million from the company. Last month, Knox-after winning its case earlier-settled with the Underwoods for \$406,000

· Brighter Prospects-Knox still has problems, but it is at least solvent. It boasts up-to-date equipment and cost accounting, in an industry where this is not typical of the smaller companies.

Of course, Knox has the industrywide marketing problems along with its own headaches of consolidating operations and it still has a heavy load of debt. Last year, when sales of \$32-million netted \$814,742, it had to lay out \$383-790 in interest costs to service a debt of \$5.7-million. But the bulk of this debt will be paid off by the end of next year. But no dividend is in sight yet, savs Wishart.

"We have to build up some strength. "Then we'll think about paying out some cash." END



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In Management

Dissident Directors Launch Battle For Control of Dredging Company

Dissident directors at Williams-McWilliams Industries, Inc., marine dredging outfit recently diversified into food operations, are waging a full-fledged proxy fight for control of the company. The management they object to, headed by Pres. Sinclair Robinson, took over in November, 1956, after buying control from Alfred A. Strelsin, then chairman. The new management immediately purchased Merkel, Inc., New York City pork processor and retail food store chain, for \$4.3-million from Lekrem, Inc., also headed by Robinson. With 83,333 shares of Williams acquired in the Merkel deal, Lekrem now owns 143,333 shares, or 22% of the outstanding stock.

Robinson recently estimated Williams 1957 consolidated net income at \$1.2-million. This compares with \$2-million in 1956, when Merkel income was included only for the tag end of the year. Robinson claims, however, that much of the difference is due to "a loss of some \$500,000 suffered on contracts" entered into by the dredging division before he took over. He says he has begun court action against members of the former management to recover these losses.

The dissident committee includes four Williams directors, two of whom are still vice-presidents while the other two—W. Horace Williams, Jr., and George McWilliams—used to be v.-p.'s. Robinson says the group has opposed his management since he took control of the company.

The company, listed on the American Stock Exchange, has set its annual meeting for Apr. 8.

Booklets From the Reading Racks Really Interest Workers, They Think

Employees say they like the "reading rack" booklets that are given to them in plants, but they are much less definite when asked to recall specific pamphlets. That's what Dr. L. C. Lovejoy, professor at New York University's Graduate School of Business, found in compiling results from questionnaires answered by 6,000 employees in 35 companies.

In the reading rack program (BW-Jan.31'53,p75), employees pick up weekly pamphlets dealing with a variety of subjects—from how to prevent accidents in the home to details for flower growing. The series is regularly sprinkled through with brochures explaining various aspects of the American political and economic system. The racks and pamphlets are sold to the company by one of a number of publishing houses that specialize in the programs.

In the present survey, the employees were most enthusiastic when the questions were the least specific. When asked in general whether the booklets had ever given them a different slant on things, 83% of the workers said yes. But when these workers were then asked to give an example, only 15% could come up with one. Similarly, 90% of the respondents said they did pick up and read the books, but only 35% could list "one or two that particularly interested you."

Naish to Take Top Post at Convair With Gen. McNarney Retiring

J. V. Naish will move up to the presidency of the Convair Div. of General Dynamics Corp. on Apr. 1, when Gen. Joseph T. McNarney retires. Naish, now Convair's executive v.-p., will also become a senior vice-president of the parent corporation. He began in the aircraft industry as a wing line mechanic in 1941, after working for the New York Stock Exchange and heading his own investment firm.

In other recent appointments:

 Frank O. Prior became chairman and chief executive officer of Standard Oil Co. (Indiana) replacing Robert E. Wilson, who is retiring. Executive V.-P. John E. Swearingen took Prior's old job as president.

 George A. Bryant became chairman and chief executive officer at Austin Co., big construction outfit, moving up from the presidency, which was filled by Allan S. Austin, grandson of the company's founder.

 William M. Hankins, Jr., formerly president of the Fred W. Kiemle Co., Toledo electric motor distributor, moved over to the presidency of the Bunting Brass & Bronze Co., maker of bearings and automotive parts.

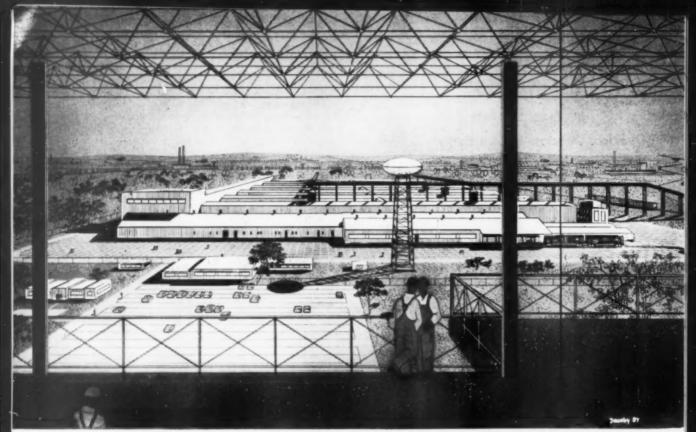
Management Briefs

Members of two New York investment houses are waging a proxy fight at Landers, Frary & Clark, makers of Universal electrical appliances. Frederick G. Cartwright, of Cartwright & Parmelee, and James J. Duane, Jr., of James J. Duane & Co., are worried about the "declining earnings trend since 1950" and the fact that the final quarterly dividend was omitted last year for the first time in 40 years.

The proxy fight at Fox Head Brewing Co. (BW-Feb. 1'58,p82) ended in a stalemate. With cumulative voting, the ousted chairman and president kept their board seats, but didn't get the extra one they needed to put themselves back in the saddle.

The disputed merger between Aircraft Radio Corp. and Litton Industries, Inc., fell through because supporters couldn't muster approval by the necessary 80% of Aircraft stockholders. The deadline for depositing the stock had been extended (BW-Mar.1'58.p113), but additions during the extra period just about equaled withdrawals.

Universal Marion Corp. is offering holders of Scullin Steel Co. 13 share of Universal for each share of Scullin in the proposed sale arrangement. The figure had been given incorrectly in Business Week (Mar.1'58,p113).



New Reynolds Metals \$88 million aluminum reduction plant under construction near Massena, N. Y.

opens up new era of industrial development in St. Lawrence Seaway area.

New York Central helps Reynolds Metals find low-cost power site for new plant

Plant Site Consultants of the Central assembled facts Reynolds officials wanted to know

They made land evaluation analyses. Tax studies, property surveys, soil-test borings, area labor availability survey and freight rate studies helped provide many answers. Plant Site Consultants of the Central arranged with executives of Reynolds to meet key representatives of every significant interest in the area. They negotiated the purchase options and built spur-line tracks into the property.

The Chevrolet Division of General Motors is building a castings foundry adjacent to the Reynolds aluminum reduction plant to have easy and economical access to aluminum ingot. We have several additional plant sites, from 100 to 1,000 acres, in the St. Lawrence Seaway primary aluminum area. Also hundreds of other "Central" locations on the modern 11,000-mile rail network of the New York Central.

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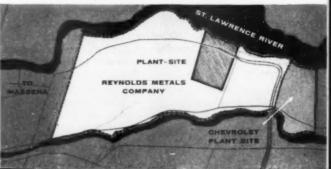
New York Central can help you too!

- The services of our Plant Site Consultants, on a strictly confidential basis, are available without charge.
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- We assemble the necessary acreage.
- Our staff aids in expediting plant construction in many ways.

There is a large city or small community "Central" location on the modern 11,000-mile rail network of the New York Central that meets your plant-site requirements.

New York Central assembled 1,750 acres of land for Reynolds Metals Company General Motors acquired a plant site from Reynolds for the erection of Chevrolet's castings foundry.





INTERNATIONAL OUTLOOK

BUSINESS WEEK MAR. 8, 1958



Washington and Moscow are deadlocked this week on how to prepare for a summit meeting. Secy. of State Dulles made that plain when he rejected a Soviet offer for a preliminary foreign ministers meeting.

Even so, U.S. officials still expect a summit meeting this year—after Moscow has discovered it can't do a snow job on Washington.

The latest Soviet move was an obvious phoney. Under Moscow's plan, we would be bound to a summit conference simply by agreeing to have the foreign ministers meet. Then, the latter would be expected to rubber-stamp an agenda that suited the Russians.

Now that Dulles has called this bluff, the State Dept. expects the Kremlin to modify its terms. U. S. officials believe that Communist Party boss Khrushchev is anxious for a meeting that would ease tension, though not reach any big settlements. That would open the way for the Russians to extend their economic and political penetration of the free world, just as the 1955 summit meeting did.

Washington, too, would like to see the tension eased, and to make at least a start on arms control. What's more, the U.S. is under heavy pressure from its NATO allies to try for an East-West accommodation.

Dulles' real problem is to get a summit agenda that promises some chance of gains for the West.

In any case, Dulles will continue to insist on careful preparations in advance. He doesn't want Eisenhower to go to the summit merely to help Khrushchev stage a propaganda show.

More trade with the Reds, not just more talk, is in the cards.

In Western Europe, Japan, and Canada there is growing pressure to pick up business in Communist markets. As a result, East-West trade controls probably will be eased within a few months.

Already the Western governments have started their first full-dress review of these controls since 1954. The review is under the wing of COCOM, a special NATO organization in Paris that includes Japan.

COCOM now has suggestions from all its members. Most call for a sweeping review of controls. Britain, France, West Germany, and Japan are all pushing for an embargo list that's limited to strictly military stuff. They argue that Soviet technical gains prove that the embargo has failed to slow Soviet progress, as it was supposed to.

Then, our allies point to the slump in world trade and their need to do all the export business they can.

Even now there are signs aplenty of a spurt in East-West business. Here are some developments:

- In Japan, a steel industry group has concluded a private deal with Red China—a \$500-million swap of finished steel for Chinese coking coal and iron ore (page 87).
 - · In West Germany, there's hope that a three-year trade agreement can

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK MAR. 8, 1958 be reached with Moscow by spring—one that would raise German exports to the U.S.S.R. to almost \$200-million a year. At the same time, Krupp has been dickering with the Polish government for a \$100-million industrial construction contract.

- In Britain, export shipments to Russia rose by almost 50% last year, to about \$100-million. Businessmen now hope for another 50% jump in Soviet trade, plus a gradual increase in exports to Red China.
- In Canada, Liberal leader Lester Pearson has been using China trade as a campaign theme. He has promised, if elected, to send a cabinet delegation to Peking.

Pres. Batista's grip on Cuba is noticeably slipping, even though he still talks of holding national elections on June 1.

Fidel Castro's rebel organization may spring a paralyzing general strike within the next month. And Castro may have a real chance of success. His organization is gathering strength in key cities and forming rebel cells in trade unions. By rejecting the Catholic Church's plea last week for a "national-unity government," Batista helped broaden the rebel movement.

But Batista holds two trump cards. Rival opposition groups still haven't made peace with each other. And the army—pivotal in any Latin American revolution—has shown no sign yet of defecting to the rebel cause.

Arturo Frondizi, Argentina's president-elect, wants U.S. help to speed lagging oil development—but on Argentine terms. He may let U.S. oil companies explore and produce under contract. And he may ask Washington for sizable loans to push oil development. The catch is that Yacimientos Petroliferos Fiscales (YPF), the government oil company, would continue to run the whole show.

Frondizi may visit Washington before his May 1 inauguration to get money for YPF. So far, Washington has firmly refused to grant loans to state-run oil companies.

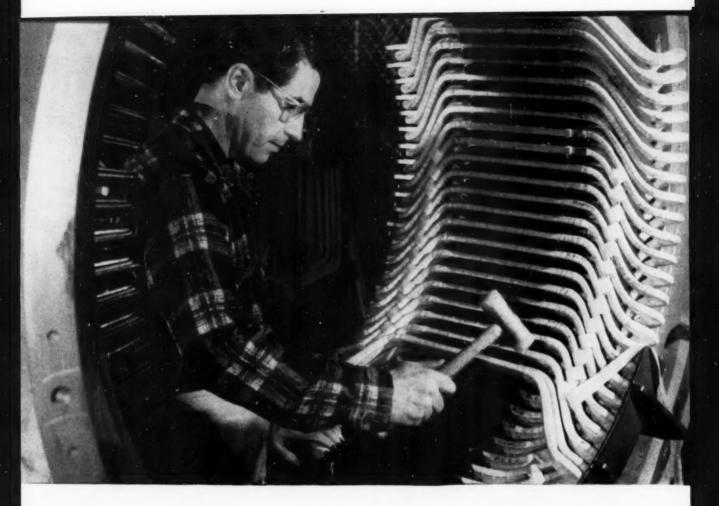
A new approach to foreign aid is gaining support in Washington. The idea is to set up a new international agency, affiliated with the World Bank, to make low-interest, long-term loans to underdeveloped countries.

Sen. Mike Monroney (D-Okla.) is pushing the proposal in the Senate. Apparently he wants the new corporation to replace the Development Loan Fund set up last year under the State Dept. wing. Monroney feels that the international character of the proposed agency would make its loans more acceptable to developing countries. What's more, since its operation would be integrated with those of the World Bank, soft loans would be made only when the possibility of hard loans had been exhausted.

Under Monroney's plan, Congress would make smaller appropriations than it is being asked to make today for the Development Loan Fund. Out of a starting capitalization of about \$1-billion, the U. S. contribution would be only \$300-million.

There is little chance that the new World Bank affiliate will get off the ground during this session of Congress. Right now, Monroney is merely proposing that the Senate study the scheme.

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In Washington

Private Power Companies Want Subsidies, But Balk at AEC's Running Reactor Program

Spokesmen for private power companies are ready to agree that stepped-up government subsidies may be necessary if the U.S. is to maintain world leadership in atomic technology. But they insist that federal construction of large-scale power reactors in this country is un-

called for (BW-Feb.15'58,p40).

Elmer L. Lindseth, chairman of Edison Electric Institute's committee on atomic power, set the tone as industry witnesses this week related to the Joint Committee on Atomic Energy their progress in developing nuclear power. The Democratic-run committee is convinced that the Atomic Energy Commission's "partnership" program with private industry is failing to produce sufficient progress in the power reactor field.

Lindseth pointed out that so far electric utility companies have embarked on 14 nuclear power projects, involving a total utility investment of \$500-million. He says the industry feels that the current program for the development of economic nuclear power is adequate to

domestic needs.

On the other side, Clyde Ellis, general manager of the National Rural Electric Cooperative Assn., complained that private power companies would like to monopolize atomic power. He called for enactment of the Gore-Holifield bills, under which the government would build power reactors at AEC installations.

Meanwhile, AEC announced that M. Louis Armand, president of the European Atomic Energy Community, will visit the U.S. next month in an effort to work out ways for this country to help European nations develop

nuclear power.

Many U.S. reactor manufacturing companies believe that their only chance of making a profit in the next few years lies overseas. However, a spokesman for General Electric Co. expressed doubt that domestic companies, in the long run, will be able to compete for atomic markets in advanced countries abroad.

Supreme Court Has a Busy Week After Month-Long Recess

The U.S. Supreme Court resumed public session this week after a month-long recess and issued a big bundle of written decisions and orders. Topping the list of actions is the court's approval of state taxes on federal property in private hands (page 24).

Here are some of the other important rulings:

 Federal transportation rates. The court declared unconstitutional a California law that makes reduced rates negotiated by the government on shipments of federal property inside California subject to state approval. Antitrust. The Justice Dept. was authorized by the court to proceed with its efforts to void the stock acquisition of Pacific Northwest Pipeline Corp. by El Paso Natural Gas Co., despite pleas by El Paso that the suit interferes with the regulatory authority of the Federal Power Commission.

 Natural gas rates. The court refused to speed up its consideration of the so-called "Memphis case," which upsets the FPC's established practice of setting gas rates. The refusal delays arguments until fall, despite pleas by the government that the natural gas industry

will be in turmoil until the issue is settled.

• Atomic patents. A suit by an inventor of a process for production of heavy water was sent back to lower courts for trial. The suit, which had been dismissed for technical defects, is aimed at blocking publication of the invention by the Atomic Energy Commission. This allegedly jeopardizes the inventor's right to foreign patents.

• Labor. The court agreed to review National Labor Relations Board jurisdictional rules under which the board refuses to take up representation cases or labor disputes in the hotel industry. The court already has agreed to review state court injunctions against union organizational picketing in the Florida hotel industry.

 Tidelands. Arguments in the federal-state dispute over lease drilling rights off the Gulf of Mexico beyond

the 3-mile limit will be heard Oct. 13.

Small Business Sees No Quick Aid To Tide It Over the Recession

Washington's professional bureaucrats paid to help small business confess they are about empty-handed for plans to help small businessmen over recession rough

snots

Not only is there no quick aid forthcoming, but in the months ahead, little businessmen will find it tougher just to hold their own in securing a government contract. Big companies, feeling the pinch of the turndown, are cutting more deeply into contracts ordinarily set aside for smaller companies.

Senators on the Small Business Committee have given up hope of pushing through a bill cutting tax rates for small companies. The committee now is pinning its hopes on securing legislation that would grant some

relief in certain technical areas.

The Small Business Administration has no plans to expand its service, despite the fact that business failures—and this means mainly small business failures—in 1957 reached the highest peak in 19 years.

Tanker Gets Into Nuclear Power Act

The Atomic Energy Commission and the Maritime Administration have awarded preliminary engineering and design studies for the conversion to nuclear power of a tanker to George G. Sharp, Inc., as the ship design agent, and General Electric as reactor designer.

The tanker, under construction, is at Ingalls Ship-

building Corp., Pascagoula, Miss.



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Shadow Over Auto Negotiations

Dissident craft workers may disrupt contract talks scheduled to open soon between UAW and auto companies.

One group already has filed a petition with NLRB for representation elections to form craft unions.

Even if UAW quells the rebellion, the companies could be squeezed between the two segments of the union.

The long, drawn-out process by which the United Auto Workers prepares to bargain with the auto companies ended this week with the union's emphasis still on demands for higher pay and a share of company profits. The union's skilled workers endorsed the demands last week—but not without leaving worrisome hints that they might still disrupt negotiations this year.

With all major segments of the auto union on record in favor of the bargaining program, the decks are now cleared for UAW to sit down with General Motors negotiators on Mar. 25 and with Ford a week later to talk about a new contract. When they meet, money differences may not be the most difficult that must be reconciled.

While the UAW Skilled Trades Conference in Chicago last week and the National Ford Council in Detroit this week stressed wage increases and profit-sharing, the action that may be most disturbing to negotiations for a new contract was being taken quietly in Flint, Mich.

• Dissidents—There, a group of dissident UAW skilled workers prepared a petition to the National Labor Relations Board for an election to determine whether they will continue to be represented by UAW or by new craft unions. Before the end of this month there will be a blizzard of such petitions, covering as many as 8,000 workers in GM, Ford, and Chrysler plants. The initial petitions cover only several hundred pipe fitters, machine repair men, and tool craftsmen.

These petitions may be the most difficult problem of the bargaining year for auto companies. Here's why: Any contract between UAW and an auto company will be left up in the air until the representation issue has been settled.

 Possible Difficulties—The possibilities for management difficulties in the skilled trades situation are nearly endless. For one thing, there is the conflict between certain skilled workers and the UAW—kept alive by a steering organization named the Society of Skilled Trades, headed by Joseph Dunnebeck of Flint. For another, there is UAW's own announced aim of negotiating a separate agreement for skilled workers, as a supplement to the master contract at each company. Separately or together, these two factors could mean it will be August or September before an auto company knows for certain whether it has a firm contract, and with how many workers.

This, rather than UAW's trumpeting for a share of the profits, is what worries a great many labor relations specialists of auto companies. As far as the companies are concerned, this is a year when the kind of work a man does could become more important than what he's paid.

I. Splitting the Skills

The Society of Skilled Trades was formed after the 1955 negotiations, but never got any place as a union by itself. About a year ago, Dunnebeck worked out an arrangement with several small independent craft unions for the Society to be the top coordinating body for their activities.

The Society now hopes to slice off from UAW all craft members who would band together in separate craft unions—carpenters, electricians, pipe fitters, millwrights, and so on—with SST as their guiding body. Many of these local unions would be small, because the skilled workers think their problems are so individual that they cannot be handled on a mass basis.

• "Breakaway" Rules—The bulk of UAW's craft membership has been shut off from SST organizing efforts because of the three-year contracts between UAW and the auto companies. Now, with the contracts expiring, National Labor Relations Board rules permit workers to ask NLRB to hold elections to see if the majority still wants to be represented by UAW.

There is no question that—overall—the great majority do. The SST pins its hopes on breaking down present bargaining units.

There are two principal ground rules

covering a representation election: The unit involved must be well defined, and 30% of the employees in the unit must have signed applications for membership in the union that is petitioning for an election.

When the NLRB regional office gets a "breakaway" petition, it has to decide whether the group asking for the election is truly a craft. The board has ruled in the past that severance from an existing union is to be allowed only on a craft basis. If the need for the election is challenged (as it almost certainly will be by UAW), the NLRB regional office must hold a hearing. The transcript is then sent to Washington as a basis for a ruling by the board.

• Time-Consuming Process—All this takes time, but NLRB's Detroit regional office hopes to push proceedings along faster than normal by consolidating petitions from each company—so that there could be only three hearings instead of dozens. In this way, the board would also be ruling on principles rather than on individual cases.

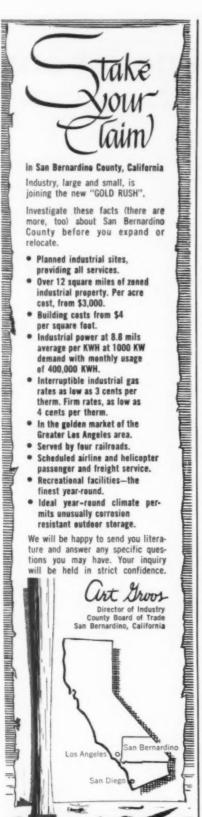
Chances are, even with this shortcut, it may be midsummer at the earliest before representation elections if authorized—can be held. Meanwhile, auto companies and UAW would be limited to an agreement that would not be binding on any groups of skilled workers who might vote to split off from UAW. These workers could haul the companies back into bargaining.

In this way, three years later, UAW's insistence in 1955 on a form of guaranteed annual wage at the possible expense of other gains will come back to haunt the companies. That's what spawned the Society of Skilled Trades and resulted in the aim of a separate contract for skilled workers. This aim could confound this year's bargaining even more than the Society of Skilled Trades.

II. The Whipsaw

In 1955, UAW's skilled trades workers, believed to number about 250,000, were just as firmly behind the demand for GAW as were the unskilled workers—but this was more a demonstration of solidarity than of personal interest.

Unlike the unskilled workers, the skilled group wasn't worried over fluctuations in employment. Because they had been working steadily (and generally with overtime) for about 10 years, the skilled were more interested in higher pay than in wage guarantees. They claimed then (as they do now) that a craft man in an auto company



gets less than a man doing identical work in an outside shop.

When details of the 1955 settlement were announced, the skilled trades people realized that their wage increases (which averaged 8¢ an hour) were smaller than they wanted because the added money went into the newly devised Supplemental Unemployment Benefits plan. Skilled workers struck at Ford and GM plants and in some cases only went back to work when UAW threatened to expel them.

Appeasement—Although the Society
of Skilled Trades came out of this
welter, the most significant development
came from UAW itself. After resisting
for over a year any major change in
its procedure for representing the skilled
trades, the union did a flip-flop.

UAW's international executive board announced that every negotiating committee should include skilled workers elected by and representing the trades.

Further, the executive board said these representatives of the trades would negotiate an agreement especially for the skilled trades—as a supplement to the master contract, to be voted on separately by skilled workers only. Obviously, if this supplemental agreement should be turned down, and the skilled trades people refuse to work, the master agreement would be worthless.

All of this was voted into the UAW constitution at the biennial convention last April. UAW began to reorient itself toward a craft philosophy within the frame-work of industrial unionism (BW-Apr.20'57,p153). But there is one great hitch in UAW's plans. The companies have never agreed to bargain separately for skilled workers.

• Veto Power—This can be ducked in the early stages of bargaining. But it has to be tackled sooner or later for UAW's naked demand for separate contracts puts management in an almost impossible position. The two separate segments of the union, each with veto power over a contract, could bat the companies back and forth like a ping-pong ball.

This power of the skilled trades in over-all union bargaining affairs was drummed home time and time again last week at the Skilled Trades Conference in Chicago. Some of the workers, led by a Detroit contingent, went into the conference with the idea of getting approval for a demand for a minimum wage of \$3.25 an hour for skilled workers. Union officials pleaded with delegates not to adopt a fixed demand figure because it would destroy bargaining flexibility and also might pit production against craft workers.

production against craft workers.

After all, UAW Vice-Pres. Richard T. Gosser reminded the skilled men, they have the right to reject any company offer and to strike if necessary for better terms. END



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Closed Shop Cracked in Building

NLRB orders end of time-honored hiring practices in the construction industry by June 1 under Taft-Hartley Act. Contractors expect to continue hiring through the unions.

For years, the construction industry and unions have gone their traditional way, with the solidly entrenched crafts exercising tight job control through closed shop contracts. Now, notice has been served that the practice of hiring no one but union members must be

ended by June 1.

The National Labor Relations Board, through its general counsel, Jerome D. Fenton, has warned the AFL-CIO Building & Construction Trades Dept., the Associated General Contractors, and the National Constructors Assn. to end closed shop practices "voluntarily" by June-or face legal consequences. These would entail severe financial penalties. Under the circumstances, little resistance is expected.

· More Changes-Compliance with the Fenton directive, willingly or not, is sure to mean more changes in an industry in which labor relations are already in ferment. Old policies and practices are shifting because of many factors-the state of the economy, the merger of AFL and CIO, and the subsequent changes in the labor movement.

As a result of these:

· Craft unions have surrendered some of their claims of construction jobs to industrial unions, after strong resistance (BW-Feb.15'58,p129).

· They have agreed to work with the National Constructors Assn. and other employers to cut down on-or

climinate-"featherbedding.

· On local levels, and unofficially, the crafts have edged away from their long-time insistence that they will work only with members of the Building Trades or with craft-made materials. More and more, individual craftsmen are reported "cooperative" in situations that, only months ago, could have meant serious jurisdictional questions.

This does not mean that problems that have harassed contractors have ended; they have only been lessened. Building employers who attended a convention of the Associated General Contractors in Dallas this winter were skeptical about the long-range effectiveness of the moves made so far. What they are intended to do is "just fine-just what we've been looking for," but, according to AGC, the moves must still be implemented.

· Hiring Changes-The changes in hiring practices under the Fenton directive will reduce the crafts' tight job controls in many areas. They will eliminate -or at least cut into-other controversial union practices, such as the policy of requiring local work permits for nonresident craftsmen who are brought into an area to fill added construction jobs.

To some extent, contractors welcome these changes. But, at the same time, they fear the disruptions that the changes could cause in the industry.

Contractors have relied for decades on craft unions to supply the workers for construction jobs. Normally, the builders do not maintain a full complement of skilled construction workers for obvious reasons: the heavy expense for idle time between projects and the varying skills needed from project to project.

So, contractors ordinarily notify the craft unions that a certain number of artisans will be needed from each, and the unions fill the orders through their hiring halls-from their lists of available union members. Although it is not always spelled out precisely in contracts, this is in effect a full-fledged-and illegal -closed shop arrangement.

The question now is: How will jobs be filled?

· Unions Will Do It-Very likely, the hiring will still be through craft unions. Contractors do not expect to set up their own hiring services-and don't

There is precedent in the maritime industry for hiring halls run by unions but that are, technically, open to nonunion job applicants as well as to union members. To avoid charges of discrimination, the hiring halls, again technically, refer applicants to jobs in rotation, without regard for their union status. Critics charge that it doesn't always work that way and that nonunion jobseekers are wary of union hiring halls-but at least the letter of the law is complied with.

The craft hiring halls are expected to work in much the same way. Instead of union business agents hand-picking those referred to contractors, after June 1 selections will have to be made on a first-come, first-served basis, without regard for union membership.

Probably in most places, changes in the arbitrary power of the business agent will come slowly. But the basis has been laid for effective challenges.

• Employers Vulnerable-Because emplovers are as vulnerable as unions under the Fenton order, they will have to keep a close check on who is being referred to jobs-and how. This means more forms and questionnaires, more book work to be sure the unions are living up to the new requirements.

As far as contract wording is concerned, it means relatively simple changes from closed shop clauses, where they exist, to union shop provisions that will require employees to join the union of their craft within 30 days.

Employers could be in for trouble in the 18 states where "right to work" laws bar union shop pacts. One Building Trades official said frankly this week that "nothing in any law prevents union men from agreeing among themselves to walk off the job if a nonunion man is hired and refuses to join the union."

• No Sudden Step-Although the closed shop was outlawed by the Taft-Hartley Act in 1947, NLRB did very little to enforce the ban in the construction industry until several years ago. Early boards justified inaction by citing "special circumstances" in the industry-the temporary or casual nature

of employment.

As the NLRB shifted its philosophy with its membership (BW-Jan.4'58,p 59), it began taking a closer look at construction hiring practices, at first on an individual basis. And, late in 1957, its members reportedly were urged by senators on the McClellan rackets committee to take steps to crack the Building Trades position that effectively barred nonunion workers from jobs.

The general counsel has been groping since then on how this could be accomplished with a minimum of disruption in the industry. The result showed up in his letter calling on all parties to agree "voluntarily" to end closed shop hiring in the "general public interest and in the furtherance of the fundamental rights of employees.'

· Warning-If the unions and contractors do not comply voluntarily by June 1, Fenton warned, he will recommend that the board penalize both sides under the "reimbursement remedy" set up in a decision two years ago, known as the Brown-Olds case. This would mean that all dues and assessments collected under closed shop conditions from the start of a construction contract would have to be returned to workers.

In addition, the usual penalty when a nonunion worker is denied a job under a closed shop would also applythe payment to him of a sum amounting to the wages he would have earned.

Since the Brown-Olds decision in 1956, this penalty has been applied by NLRB in four other cases, including one in which an employer and union were ordered to meet the costs. END



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Caught in Middle

Major electrical companies face two sets of controversial "job security" demands from the rival IUE and UE.

Major electrical manufacturers will be caught in a bargaining crossfire when contract talks start this year. Two rival unions are preparing "job security" demands that are basically different. Management's answer to both will be an uncompromising "no."

After that, hard double-barreled ne-

gotiations loom with:

• The International Union of Electrical Workers, which wants a supplementary unemployment benefits plan that will pay covered workers for days of idleness as well as full weeks.

· The independent United Electrical Workers, which is asking a shorter work week with no pay cut, and "separation pay [of] a full week's pay for each vear of service for permanently laid-off workers."

IUE's demand will be served first on the Radio Corp. of America, in April, and on General Electric and Westinghouse later in the year. UE will preview its bargaining program with the Sylvania Electric Products, Inc., this month and tackle GE and Westinghouse in July.

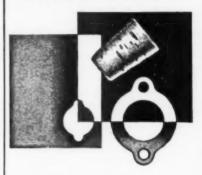
• The Targets-The real test-and target-of both unions will be GE and Westinghouse. IUE and UE contracts run into 1960, but can be reopened this year on employment security only. The pacts provide for deferred raises roughly averaging 7¢ an hour in 1958, so pay isn't an issue.

IUE plans to go after SUB funds to be used (1) to guarantee workers "fully laid off" up to 80% of take-home pay for as long as 52 weeks, with an additional \$2 a week for each dependent; and (2) to pay those on short weeks one-fifth of the weekly SUBenefit, or 16% of normal take-home pay, for each day of idleness.

UE's "principal demand" will be a half-hour reduction in the work day in 1958, another half-hour in 1959, with no cut in pay. For UE members working 40 hours, the work week would be reduced to 37½ hours this year, 35 hours in 1959.

UE says a half-hour cut in the work day would cost manufacturers an average 12¢ an hour, or about \$15-million for the 60,000 workers under UE contracts with Sylvania, GE, and Westinghouse. And, to provide for sustained production without higher work standards, 4,000 jobs would have to be added in the UE plants, according to union estimates. END

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In Labor

Heads of Teamsters, ILA Embrace; Will Their Outcast Unions Try It, Too?

Does the warm embrace between Teamsters Pres. James R. Hoffa and Capt. William V. Bradley, head of the International Longshoremen's Assn., mean the two "outcast" unions are drawing closer together? That's

a question worrying many East Coast port employers this week.

Hoffa has talked in the past of a new federation of transport unions that would include ILA, among others. Such an alliance would strengthen unions with mutual

interests in the widespread industry, he contends.

ILA invited Hoffa to address an executive board meeting in Miami Beach recently. Hoffa accepted, was welcomed warmly. While everybody denied there was "any special significance" in the visit, and Hoffa said he hasn't any present interest in a new federation, speculation has persisted.

Meanwhile, a split developed in ILA over relations with a third "outcast" union—Harry Bridges' International Longshoremen's & Warehousemen's Union on the West Coast. Thomas (Teddy) Gleason, ILA general organizer and New York power, favors closer cooperation with ILWU—which is definitely interested. Bradley is opposed to any pact with the West Coast union, one of those ousted in CIO's leftwing purge.

A few days after his gestures of friendship for ILA, Hoffa appeared before a convention of the ousted Bakery & Confectionery Workers in Cincinnati, pledged Teamsters financial or physical aid to that union in "any dispute with an employer or any other group."

UAW Protests Cost-Cutting Ultimatum, Blames Kaiser's Losses on Management

Kaiser Metal Products, Inc., a subsidiary of Kaiser Industries, Inc., last week notified employees in Bristol, Pa., that they must accept a cost-cutting program or face the possible loss of their jobs. The corporation says it must cut labor costs at least \$250,000 this year.

Through letters to employees, management said it lost nearly \$4-million in 1957 and, despite "very substantial" savings effected since Nov. 1, faces a \$1-million loss on operations this year. Much of it, according to Kaiser, is a result of an "unrealistic" contract "negotiated when employment and business conditions were entirely different."

Among other things, Kaiser wants to eliminate provisions that permit union representatives to conduct union business on company time, and to end "restrictions on the company's ability to direct and most efficiently utilize the work force."

The United Auto Workers, which has the Bristol plant contract, blames management's "wasteful practices" for a large part of the losses, says Kaiser is looking for a "scapegoat—labor."

According to the union, the company's cost-cutting proposals go into 16 major contract areas and "would have the effect of rewriting the contract" and extending it from May 31 to Oct. 31, 1959.

Montgomery Ward Sues Retail Clerks, Demanding Damages for Picketing

Montgomery Ward & Co. this week filed suit in California against the Retail Clerks International Assn., asking \$500,000 damages plus \$10,000 for each day RCIA continues picketing in a contract dispute.

The company's court action alleges (1) RCIA attempts to obtain union shop contracts at stores where it does not represent Ward employees, and (2) RCIA's use of "misleading" picket signs indicating employees are on strike at stores where there is no walkout.

The Retail Clerks' "strike" against Montgomery Ward began early in January at "selected" stores—but failed to interrupt Montgomery Ward operations anywhere (BW—Jan.11'58,p112). However, the union has been picketing other stores to bring its dispute over contract terms before the public. This is the picketing under attack in the court suit.

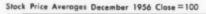
Meanwhile, the Federal Mediation & Conciliation Service summoned company and union negotiators to meet with FMCS conciliators in Chicago. The parties hadn't met since Jan. 14—eight days after RCIA began its "piecemeal" strike.

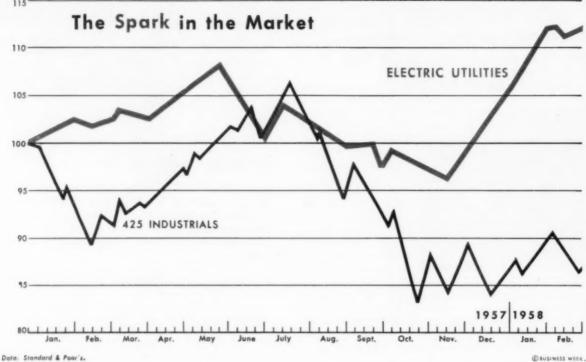
NLRB Says Ignorance of Union Poll Doesn't Excuse "Objectionable" Company

The "critical pre-election period" in which an employer must be careful of what he does begins on the day the National Labor Relations Board orders a representation election—regardless of whether the employer knows a union petition for a poll of employees has been granted.

The NLRB this week made this clear in a clarification of its rule on "objectionable conduct" on the part of employers in election campaigns. It ordered the results of a vote among employees of a Chicago company set aside because the company (Joanna Western Mills) announced a pay increase and other benefits on the day NLRB granted a Brotherhood of Painters petition for an election.

The board turned down a management plea that it hadn't been informed of the NLRB election order before it unilaterally boosted pay 15¢ an hour. The board said that, even innocently announced, the benefits constituted "interference" and improperly "affected the results of the election."





Everybody Loves the Utilities

In a wobbly market, the producers of electricity are staging a market rally. They're in favor not only as defensive shares paying good dividends, but because they're showing growth qualities in a time of general decline.

Ever since the end of World War II, electric utility stocks have been regarded as profitable, unspectacular gainers. But the utilities are no longer merely the choice of institutional holders and conservative investors seeking income and reasonable growth. In today's uncertain market, they have emerged as everybody's favorite.

The impressive performance of the electric utilities (chart) is based partly on their defensive qualities—secure dividends and prices that are resistant to recession.

But their solid gains are also due to the recognition that they are, in a sense, growth stocks. The utilities are continuing to expand even though business activity as a whole is declining.

• Spending Plans—This is quite clear

 Spending Plans—This is quite clear from the capital spending plans of the utilities. In 1958, the group is one of the few sectors of private industry that is slated to increase spending—by an estimated 3% this year, compared to a drop in manufacturing of 16%. Moreover, the industry is scheduled for another spending increase in 1959.

This confidence has not been lost on investors. Just as the utilities appear to be following a contra-cyclical spending policy, investors in utility stocks have found that the best offense is good defensive issues. Some utilities have gained more than 30% since the market hit its low in October, and the entire list is over 15% above its own group low registered in November, 1957.

The growth record of the electric utilities stands comparison with many other industries. Sales of electric power have increased faster than gross national product. Since World War II, the industry has more than doubled in size and its per share earnings have risen by about 250%.

• Efficiency—Despite this performance, utilities have not been considered as glamorous as the popular blue chip growth stocks. That's primarily because

the utilities are subject to regulation, which means that they cannot immediately pass on increased costs to their customers. Rate increases are slow to come, so the industry is under pressure to maintain earnings by increased efficiency that lowers costs.

This the utilities have done. Their net income has grown somewhat more slowly than some industrial groups. But it has grown steadily and the growth so far has proved recession proof. Use of electrical energy has grown

Use of electrical energy has grown steadily, too—up until now. This winter, for the first time in more than 10 years, the output of electrical energy fell behind the previous year's. The drop was only temporary, quickly offset by a rise due to winter storms and zero weather. But some analysts believe that a continuing decline in industrial activity could mean a leveling off in the output of electricity. This could affect current earnings—and some companies would be hit harder than others.

• Residential—The old-line metropolitan utilities, whose business is concentrated in commercial and industrial use in urban areas, have not, on the whole, done as well as the "growth" utilities, which have a better mix of industrial and residential customers. And it is these old-line companies that will be



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most affected by a drop in industrial use of power.

In contrast, the utilities that have a high proportion of residential users seem both recession-proof and growth-conscious. The over-all rate structure makes industrial users the least profitable to the utilities. The big profits are in servicing residential areas, where the consumption of power per customer has vastly increased over the past 10 years.

The utilities believe this consumption increase will continue. They like to point out that, though a great many electrical appliances are already in use, population increases and a step up in homebuilding mean that the market is still growing. That is one reason why the utilities are spending to increase capacity even though their industrial business may decline.

Then, too, there are some advantages in the regulations under which utilities operate. In a recession, they serve to protect earnings. As one analyst put it, "The commissions rarely make downward adjustments in prices, so that the utilities stand to benefit if their costs for fuel or labor go lower."

• Easier Credit—One big stimulus to utility stocks now is the easing of credit. The utility companies were hit hard when the cost of borrowing soared to postwar highs last year. The high rates threatened to pare their net earnings and so cut the amount available for stockholders, which led to a drop in utility stock prices.

With the lower rates now available, electric utilities can borrow more cheaply, assuring a continuation of yields and a promise of higher earnings at a time when other industries are declining. Some utilities have increased their dividends, while others are considering it.

Both institutional investors and traders have been active in the utilities market. According to a survey of investment trust buying in the last quarter of 1957, utility stocks were the most popular items. Traders have been cashing in on the new popularity of some of the more actively traded utility issues.

• Yield—Most utilities remain strictly yield issues. There are a number of stocks with long records as dividend payers that now offer 5% or more. These include many companies that service industrial areas that have diversified customers and where regulatory commissions are not applying pressure.

There are also a good many utilities that qualify as growth issues and that may provide handsome capital gains for investors. The best possibilities are in companies that serve areas where the population is increasing or industrial growth is continuing. Many of the utilities in the South and Southwest, where regulatory commissions have been liberal, are in this category.

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Glittering Gold

Mining stocks, noted as a hedge against deflation, are riding high. But many analysts are skeptical.

Gold stocks, traditional hedges against deflation, are thriving in Wall Street this week. The question is: How long will it last.

Gold companies are considered recession-proof. The theory is that in bad business times, their costs go down, but the price of their product stays fixed. And they have no sales problem, since the U.S. government is a ready buyer of gold at \$35 an oz.

This time, there's an added stimulant in the rumors that the price of gold will be hiked to \$40 an oz.

• Two-Way Charm—Both factors have spurred the movement in gold shares, attracting both conservative investors, interested in defensive issues, and short-term traders, willing to ride along with popular investment psychology in order to cop some gains. Several stocks have shot up, including Homestake Mining, Dome Mines, Ltd., and Campbell Red Lake Mines.

As a result, Standard & Poor's index of gold mining stocks was up to 13.96 on Feb. 19, about 15% above its

1957-58 low.

Despite all this, many analysts believe there's no sound reason for buying gold shares—unless you're a seasoned trader who knows when to catch the turns. They point out that the chances are extremely remote that the U.S. will raise the price of gold. Only a worldwide and lengthy business deterioration could force such a radical step. Moreover, changing the price of gold is not a simple pushbutton affair. It would need, among other things. Congressional approval and the majority consent of the International Monetary Fund (where the U.S. and Britain hold veto power).

• Russian Angle—Actually, the price of gold now is under strong downward pressure as a result of supplies of Russian gold overhanging the market. In 1957, the U.S.S.R. forced gold prices down in exchanges abroad by selling 7.5-million oz., as against only 4.3-million oz. in 1956. This year, Russian gold production, estimated as high as 17-million oz., still is weighing on the

market.

Then, too, there's little evidence thus far that gold companies will do as well in this recession as they have in others. With the more rigid costs now prevailing, particularly labor, it's seriously questioned whether they will be able to boost net income. END

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	121.50	110.00	99.00	108.37	+ 9.5
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	101.25	91.75	76.75	90.50	+ 17.9
Intl. Harvester \$7 Jewel Tea \$3.75 Natl. Gypsum \$4.50 National Lead \$7 Pet Milk \$4.50	174.00	156.75	137.00	150.00	+ 9.5
	102.50	89.50	75.00	87.50	+ 16.7
	105.50	97.00	84.00	93.50	+ 11.3
	179.00	165.00	143.50	161.00	+ 12.2
	105.00	98.50	92.00	99.00	+ 7.6
Quaker Oats \$6	153.00	138.50	123.50	140.00	+13.4
Safeway \$4	97.75	93.00	78.00	89.50	+14.7
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Preferreds Regain Favor

These issues, neglected during the postwar market boom, are attracting the attention of investors who like to play it safe. They now are showing modest gains.

Investors who have been burned in the stock market are on the lookout for safer outlets. And many are looking at preferred stocks (table), which were largely neglected in the postwar market boom.

Although still lagging far behind their 1956 highs, preferreds have staged a rally that has pushed them almost 11% above their 1957 low on Standard & Poor's preferred stock index. High point in the rally was reached Jan. 29, when the S&P weekly index hit 162.15. Since then, preferreds have dropped a few points, showing the same sluggishness as bonds.

 Credit Factor—The modest uprising that preferreds have staged in the midst of a dull market in common stocks is due mostly to the loosening of credit. When the Federal Reserve authorities showed signs of easing their tight grip on money, bond prices surged upward. Since high-grade preferreds generally ignore common stock averages and are more closely related to bond movements, prices of preferreds increased, too.

But there is still a wide gap between the peak prices of preferreds and their prevailing prices. That's because investors were more interested in capital gains than stable income during the postwar market boom; investors favored high-flying common stocks that offered greater growth. In fact, the preferred stock index stands lower today than it did in 1949, when the S&P index soared to 183.3. Its heights at that time were market period, which was before investors started to pump money into common stocks.

This lack of interest in preferreds is normal in a bull market. Preferreds are fixed payment instruments, similar to senior debt obligations, and are more sensitive to money market conditions than to the forces that propel equities. As a result, their prices hold up better than common stocks during a market collapse. But they don't pick up as fast as equities during a market rise.

• The Convertibles—The exceptions to this rough rule are the many preferred issues that are convertible into common stocks. Convertible preferreds are also a hot item today, because some investors are banking on a rising market and believe they'll be able to convert their preferreds into common stocks at a profit.

But when the market appears to be going nowhere, as it does right now, most investors cast about for defensive issues—particularly those with attractive yields. Preferreds are a likely choice because they have a better lasting power than common stocks in a downturn. They get first crack at dividends, and yields on several preferreds are now

higher than yields on the same company's common. Scott Paper's \$4 preferred, for example, sports a yield of 4.1%, while its common pays only 4%.

• Balancing Act—Behind the surge in preferreds is the desire by institutional investors—the main buyers of preferreds—to balance their portfolios with holdings that offer assured income. So most of their interest has been centered on the high-grade preferreds—a term Wall Street bestows on those companies whose debt and preferred stock amounts to less than 25% of capitalization.

Burlington Mills, for example, doesn't fit into this category. Not only is it in the textile industry, which has been tossed from pillar to post in recent years, but its common stock value is only about 36% of capitalization. The price of its preferreds is more likely to follow the movement of stock quotations than the money market. And the company's \$4 preferred gain of a mere 1.6% over its 1957 low, compared to the other gains on the chart, bears this out.

• Good Performers—Those preferreds whose movement is tied more directly to the money market have done better. National Lead, whose common stock price has dipped sharply in the recent slump, has seen its preferred climb 12.2% above the 1957 low. Pet Milk's \$4.50 preferred is close to edging ahead of its 1957-58 high, and Quaker Oats' \$6 preferred had a market price recently of \$140, a gain of \$1.50 over its high last year.

The current rally in preferreds is particularly strong when you consider that most of them reached their 1957 highs early in the year—before the worst of the money squeeze was felt.

• Limited Market—Paradoxically, the rally in preferreds comes at a time when the market for preferred stocks is becoming more and more limited. Preferreds had their heyday during World War I when many companies used them instead of bond financing. But lately the tax rules have worked against their issuance. A company can deduct the interest it pays on long-term debt from taxable income, but not its preferred dividends.

This is one reason why many railroads in fact have tried to get their stockholders to switch from preferred holding to bonds.

As a result, preferred stock flotations are becoming scarcer. There were 59 such issues in 1956, about 97 in 1955, and 124 in 1954. And in 1957, only about 42 major preferred stock issues went to Wall Street for marketing. Some 30 of these issues were floated by public utilities, which try hard to keep their long-term debt from exceeding half their capitalization and which must sell senior securities to avoid diluting their common equity. **END**

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Banish light-robbing, unsightly "dead-ends" on your fluorescent lamps. Next time, use Westinghouse lamps with exclusive "Ultralume" phosphors and new chrome vanadium alloy leads. The combination of revolutionary new leads and Ultralume phosphors make Westinghouse lamps give maximum light longer and keep them bright end to end!

Save money, too! Lamp for lamp, Westinghouse fluorescents give more light for the same wattage. You get more light per foot... more light per dollar!

Specify Westinghouse on every lamp order. Call your local authorized Westinghouse agent or write—Westinghouse Lamp Division, Bloomfield, N. J.

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In The Markets

Bond Market Develops a Jam As It Awaits New Fed Moves

The bond market this week showed the telltale symptoms of congestion and distress. Syndicates were broken, and unsold issues piled up on underwriters' shelves

There were two main reasons: (1) The demand for capital in both the corporate and tax-exempt markets was extremely heavy; and (2) the Federal Reserve was still keeping money comparatively tight. Underwriters who had been anticipating a much easier credit policy found themselves squeezed.

As a result, yields of new municipal and corporate offerings have been increased, so that recent marketings with lower interest tags were either sold at a discount or put into inventory. Government bond prices moved down as investors sold them to buy corporates at more attractive rates.

The strong demand for capital does not mean a new boom. Many corporations went into the market to pay down bank loans or refund old debts. Most underwriters, moreover, expect that demand for capital will recede from its present peak, reflecting the lower level of spending for new plant and equipment now in prospect.

A drop in demand would ease the congestion in the market. But most underwriters feel that more positive easing action by the money managers is needed. The Fed has so far moved cautiously, and some of its spokesmen feel that the underwriters have been "overenthusiastic and imprudent" in expecting more aggressive ease.

The bond market's distress may now impel the Fed to act more aggressively. At midweck it had still not moved, but Fed officials intimated that another cut in the discount rate was imminent. This will probably be followed up by a further, and more drastic cut in reserve requirements, which will increase the supply of funds for investment.

These moves will give the bond market a new stimulus. But waiting for them to happen has given the money market some painful moments.

Even the Seers Can't Figure What the Stock Market Will Do Next

Uncertainty in the stock market has Wall Street analysts hedging on forecasts. Here's a rundown of what brokers are telling their customers:

A. M. Kidder & Co. declares that "we remain of the opinion that the decline reached its low last October."

Edmund W. Tabell of Walston & Co. is less positive, believing "the chances are even that the October low" of 419 in the Dow-Jones industrials average "will hold." He goes on to predict "a good trading market

with averages swinging back and forth over a wide

Edward W. Ferguson of Laird, Bissell & Meeds sees "opportunity to the trading fraternity rather than the investor," feeling that the present market does not show evidence of "an end to the sharp downward trend of 1957 or of having the fundamental potential to resume the long-term upward trend."

Bache & Co. recommends "the sale of weak issues to build cash reserves during periods of technical recoveries."

H. Hentz & Co. feels that the "market averages may well have seen their lows," but does not think the market will show much "vitality" over the next few months.

Anthony Gaubis of Anthony Gaubis & Co. is on the bearish side, foreseeing a "further decline in the market as a whole, to a level of about 385-390" for the Dow-Jones sometime in "late March or early April."

Steel's First-Quarter Earnings Seem Due for Drastic Slimming

The steel industry, bogged down in recession, will come up with some pretty sorry readings when first-quarter earnings reports show up. A hint of the future: A 15-company sample shows a drop of 12.7% in average return on sales in 1957 vs. 1956.

Best guess is that fewer than half a dozen producers will earn their first-quarter payments. And there's concern that hardly more than that number will pay them.

Quite a few producers will have the money for dividends—despite the fact that the industry's operating rate has been almost exactly 20 points below its average operating rate for 1957's fourth quarter. But whether they'll be willing to draw down their cash positions will depend on prospects for the entire year. Many industry leaders feel it would be foolhardy policy that might have to be reversed later in the year.

Thus far this year, six producers have cut dividends by 25% to 75%. One switched from cash to stock. Another took no action on its common.

The Markets Briefs

SEC has charged Security Forecaster, Inc., a New York investment advisory firm, with "fraud and deceit" in claiming that Anacon Lead Mines, Ltd., could recover an estimated \$50-million from gold mine holdings. Anacon was suspended from dealings on the American Stock Exchange last week after a steep two-day buildup in volume.

Dividend cuts, which hit a three-year high in February, are continuing in March. Cuts were announced this week by Seaboard Air Line RR; Cerro de Pasco Corp., Rome Cable Corp., Bucyrus-Erie Co., and M. Lowenstein & Sons, Inc. In addition, Dejay Stores, Inc. and E. L. Bruce Co. were among a smaller group omitting common dividends.



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in new Graflex Plant

World-famous maker of precision cameras uses modern painting system to improve efficiency and safety of workers

Graflex, Inc. of Rochester, New York, has used Pittsburgh COLOR DYNAMICS for many years to improve productive efficiency and safety of its workers. As a result of its highly satisfactory experience, the new building recently completed to house main offices and manufacturing facilities, has been completely painted according to the principles of this modern color system.

• In this new structure, with 225,000 square feet of floor space, this pioneer maker of cameras, now part of the General Precision Equipment Corporation, continues to produce photographic and electronic equipment of exceptional versatility and reliability for civilian and military use.

• "Our production requires precision and accuracy," comments M. B. Moore, Graflex vice-president and factory manager. "We strive to provide our operators with best possible lighting conditions. Our experience has proved that COLOR DYNAMICS, with its focal and eye-rest colors on walls and machines, helps them see their work better. Eye strain, nervous tension and physical fatigue are reduced."

· "Safety colors on controls and traffic areas have lessened danger of time-loss accidents. Our workers are proud of their cheerful surroundings. They keep work areas clean and orderly, reducing housekeeping. Long-time experience with COLOR DYNAMICS has shown it to be economical. We enjoy its benefits at no greater cost than conventional maintenance painting.'

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PERSONAL BUSINESS

BUSINESS WEEK MAR. 8, 1958



In thumbing through the new edition of Who's Who in America, you will discover that only one out of four listings is a general business or industrial executive. This percentage may explain why some of your friends and associates aren't listed. In the 30th edition of the directory, just published, only 12,400 men from general business and industry made the grade.

Listings in more specialized categories also are skimpler than you might expect: Lawyers account for about 4,000 listings (8% of the total); financial executives (such as bankers, brokers, mutual fund managers), 2,400 listings (4.6%); book, newspaper, and magazine publishers, 1,200 (2.4%); transportation executives, 720 (1.4%).

A listing in Who's Who is determined by "current national reference interest." In other words, would a fair number of readers be interested in looking up the individual's biography—either because of outstanding achievement in his field, or by reason of official position?

It's possible someone you know is eligible for Who's Who, but isn't listed. In such a case, don't feel shy about sending in a biography for him—or, frankly, for yourself. About 15% of Who's Who listings originate from self-recommendation or through commendations from friends who are active in the same industry or profession.

If you submit a biography, write it up in directory style. Often, listings in similar publications—such as Who's Who in the Midwest, or Who's Who in Commerce & Industry—provide source material for Who's Who in America. (Vol. 11 of "C & I," due in 1959, will carry about 24,000 names, including about 7,500 new listings.)

Along with the biography, include a separate memo explaining your nomination. Don't send clippings from newspapers, magazines, or testimonials—and never offer to pay for the listing or to buy a number of copies of the book.

If you receive a questionnaire from Who's Who in America or a similar directory, you probably can improve your chances of being listed by providing the necessary material promptly.

If you (or maybe a younger member of your family) are a member of an investment club, you should send your District Director of Internal Revenue a copy of the by-laws, with a request for a ruling, to make sure your club setup qualifies for tax treatment as a partnership (BW—Feb.15'58,p60).

Otherwise, there's a chance you may be operating on a "corporate basis" and not know it. That, of course, could mean double taxation.

Act now, and get a ruling before the tax filing date. If tabbed a corporation, the club's filing date is Mar. 15; if a partnership, filing date—of an information return—is Apr. 15.

The important point: An old or new "corporation" club can amend its by-laws to qualify—from that date forward—as a partnership. But you would have to pay corporate income tax covering the part of the year before change-over.

Your broker may be a good source of general information on investment clubs—which, incidentally, are finding favor among a good many younger executives (BW—Aug.3'57,p125). Some brokerage houses have prepared special club material. One of these is Thomson & McKinnon, 11 Wall St., New York 5, N. Y.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK MAR. 8, 1958 Housing note for the younger executive: The Administration is backing a plan that would let the FHA insure larger mortgages for buyers of higher-priced homes. That would mean a smaller downpayment.

If the proposal is enacted, for example, a prospective buyer of a \$40,000 home (with an FHA-insured mortgage) would only have to make a \$10,000 downpayment. Under present law, the downpayment would be \$20,000, since FHA can't insure any mortgage in amounts over \$20,000.

This being the Theodore Roosevelt Centennial Celebration year, you'll find stories about the famous Rough Rider and his times cropping up everywhere. Centennial celebrations are getting under way around the country. To help you get re-acquainted with Roosevelt and his era, you might want to see these new books:

Theodore Roosevelt—the Formative Years 1858-1886, first of four volumes by Carleton Putnam (Scribner's, \$10), which has just been published. Two others are coming out soon: Theodore Roosevelt: A Centennial Portrait, by Edward Wagenknecht (Longmans), and an as yet untitled publication about T. R. by William Harbaugh (Farrar).

You also can arrange to see the centennial film, Theodore Roosevelt—American, (16 mm., 3-reel, 25 min.). It's available for non-profit showing from Theodore Roosevelt Assn., 28 East 20 St., New York 3, N. Y.

Travel note: The British government has just dropped its £10 limit on the import of sterling notes into Britain. A traveler now can take in any amount he wishes.

This means less paperwork at customs and perhaps added convenience in having more British money in your pocket on arrival. It also might mean a chance for a small saving. The pound now is selling in New York at very close to the full rate (\$2.80), but you might be able to get it at slight discounts from time to time in coming months

The £10 limit on taking British currency out of the country still stands.

If you expect to be handling foreign money, you may want to get new 1958 foreign money calculators, pocket-size, for Europe, the Far East, and the Caribbean.

The "slide form" calculators give you the comparative values between foreign money and U.S. dollars in sums from 10¢ to \$100. Write to Harold Reuter & Co., 562 Fifth Ave., New York 36, N. Y. (50¢ each).

Potpourri: For a comprehensive guide to student travel abroad, write to U.S. National Student Assn., 801 Seventh Ave., New York 36, N.Y., for Work, Study, Travel Abroad (50¢)... Motorists bound for Nova Scotia can cut out up to two days of driving by taking the overnight autopassenger steamship, Yarmouth, from Boston; it is resuming service June 30 after a four-year lapse... Homebuilders and remodelers with a yen for a cozy hearth can read all about what's new—and traditional—in How to Plan and Build a Better Fireplace, published by Majestic Co., Inc., Huntington, Ind. (\$1)... Tea lovers soon may find "instant" Ceylon tea in crystal form on the market.



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she pass a law: every body gets

to drink hot drinks out of

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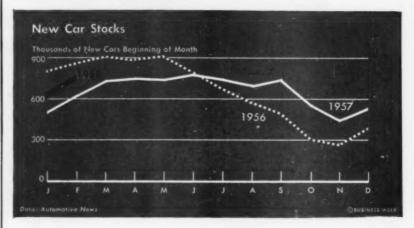
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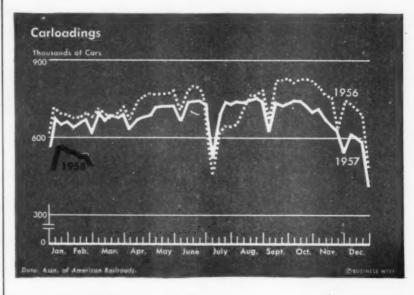
CHARTS OF THE WEEK



Jam Up in Auto Showrooms

Inventories of new cars in dealers' showrooms climbed 20% during January to reach 781,000 units at the beginning of February, according to Automotive News. This is a 55-day supply based on current sales. The all-time record for Feb. 1 was set two years ago when dealers had 870,000

cars on hand. Current inventories are still 10% below that figure, but they are about 24% higher than a year ago. Sales in early February were disappointing and by mid-February stocks of new cars were nearing an all-time high despite February output dropping to a 6-year low for the month.

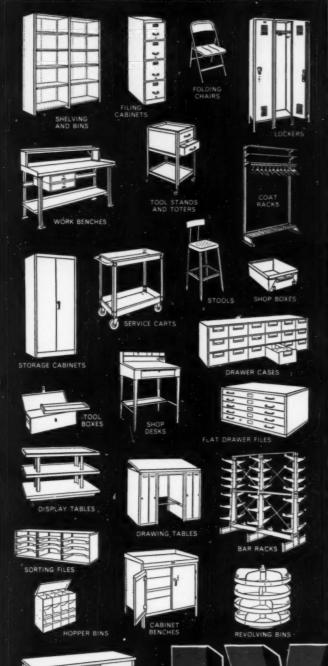


Losing More Steam

Loadings of revenue freight so far this year are trailing a year ago by about 17%, and are off 20.9% compared with 1956. In recent weeks, the lag behind a year ago has widened. It is more than 20%.

The larger part of the 1957-58 decline has been in miscellaneous and less-than-carloadings, which are off 19.2%. This category covers shipments of mostly manufactured goods, and thus supports the downturn in manufacturing that has been reported in other figures.

The smaller decline of 13.8% for "all other" carloadings—principally raw materials—indicates more strength in demand for raw materials.



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TRU-LAY PUSH-PULL

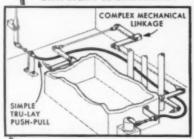
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Mechanical Linkages, as shown dotted in the drawing, are Complex, have Many Parts, Many Points of Wear to create Increasing Back-Lash with Loss of Accuracy and Multiple Vibration Rattles.

The six bulletins and booklets in the DATA FILE

provide a clear picture of how the Flexibility of Tru-Lay Push-Pull Remote Controls simplifies Design and Assembly ... cuts costs for Engineering and Production,



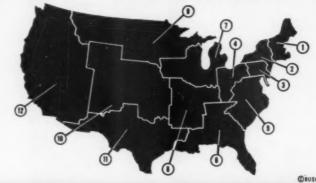


AUTOMOTIVE and AIRCRAFT DIVISION AMERICAN CHAIN & CABLE

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The Income Pattern: Business Week's Regional Income Indexes

U.S. Incomes: Up 2.5% From Last Year



(2)			

-		0/	Change	the same of the same of	The Indexe	5
R	Federal leserve District		s. year ago	Dec. 1957	Nov. 1957	Dec. 1956
1.	Boston	+	2.9%	294.2	291.5	285.8
2.	New York	+	3.9%	315.6	318.1	303.8
3.	Philadelphia	+	1.7%	304.1	305.7	299.1
4.	Cleveland	+	1.2%	351.2	358.7	347.0
5.	Richmond	+	3.0%	374.5	373.7	363.5
6.	Atlanta	+	3.6%	457.2	454.5	441.T
7.	Chicago	+	1.5%	362.0	365.1	356.5
8.	St. Louis	+	2.3%	332.0	330.8	324.5
9.	Minneapolis	+	4.3%	368.9	363.7	353.7
10.	Kansas City	+	4.7%	421.7	424.0	402.7
11.	Dallas	+	1.8%	498.9	501.6	490.1
12.	San Francisco	+	0.9%	398.2	402.9	394.8
	Nation	+	2.5%	361.1	363.0	352.4

1941 = 100; adjusted for seasonal, December figures preliminary; November revised.

Gains Continue to Shrink

December incomes topped a year ago, but the margin was less. Month-to-month figures were down from November.

Income gains over a year ago continued to shrink in December, which registered only 2.5% above December, 1957, according to BUSINESS WEEK'S Composite of Regional Income Indexes. Regional gains ranged from 0.9% in San Francisco to 4.7% in Kansas City.

From November to December, U.S. incomes dropped 0.5%—the largest month-to-month decline since January, 1956. The largest decline for any region was 2.1% in Cleveland. San Francisco dropped 1.2% during the month. Five regions—Minneapolis,

Boston, Atlanta, St. Louis, and Richmond-had higher incomes in December than in November. Biggest gain was 1.4% in Minneapolis.

As might be expected, there were income declines from November to December in the heavy industrial areas of Cleveland, Chicago, and Philadelphiareflecting declines in steel and auto centers. Gains over a year ago were somewhat smaller in these regions, too. In addition, incomes were down in the West, notably in San Francisco, where California reported in addition to the usual November-December employment curtailment in food processing and lumber, there were substantial cutbacks in aircraft, machinery, electrical equipment, and primary and fabricated metals. The year-to-year loss in factory employment was the largest since late 1949. END

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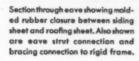
Are Designed and Engineered for Fast,

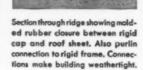
Top utility at lowest cost! That's the new Truscon Steel "Budget Building", designed to keep costs down and quality up!

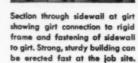
Basic framework is of rigid frame design, shop fabricated from hot rolled structural sections, complete with all necessary connection plates and anchor bolts. Purlins and girts are cold formed channel sections, bolted with standard machine bolts.

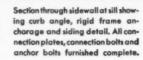
Roofing and siding are 26-gage galvanized roll formed ribbed sheets 24" wide, and in continuous lengths. Sheets are rolled from Republic tight-coated,











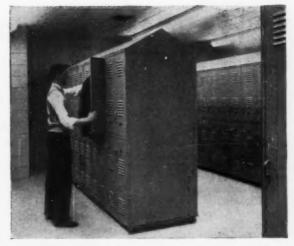
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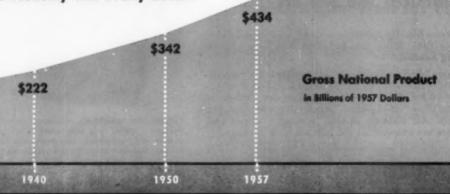
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How the Economy Will Look in



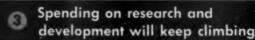


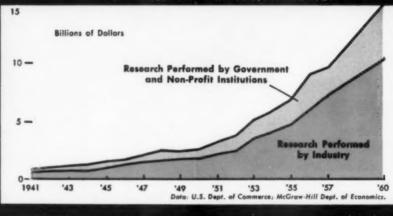


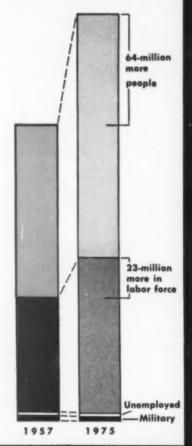
Population and the labor force will be expanding

\$176

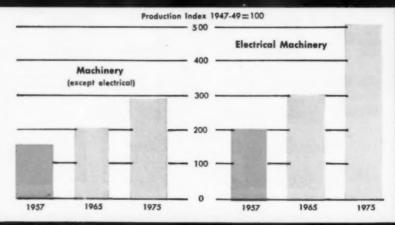
1930







And more machinery to work with



Data: U.S. Dept. of Commerce, McGraw-Hill Dept. of Economics,

Data: American Machinist, McGraw Hill Dept. of Economics.

1975-If Past Trends Continue

The one sure thing you can say about any long-range projection of how the economy will do is that it's going to be wrong—and the charts on these

pages are no exception.

But that's far from saying such projections are meaningless or useless. On the contrary, in the postwar period long-range projections have become a key element influencing the investment decisions of U.S. business, the wage strategy of organized labor, the production planning of farmers, and a broad range of government policy decisions on resource development, highways, education, social security, economic stabilization, and national defense programs.

The virtue of a projection—even if it gives you only a rough picture of what actually occurs years hence—is that it at least shows you where past

trends will take the over-all economy if they continue. This gives you a more sensible basis for long-term planning than, say, an image of the future that is nothing more than a facsimile of the present, unaffected by forces that are obviously already at work. At minimum, it provides you with guidelines from which you can depart—if you think you can guess how the trends are going to change.

 Sources of Worry-Right now, a fresh and realistic look at America's growth prospects is crucial for two chief

reasons:

• The business slump is raising a host of anxieties about whether overcapacity and consumer satiety with autos, appliances, and other durable goods (BW-Feb.l'58,p46) may be more than temporary. The questions include: Do earlier long-range projec-

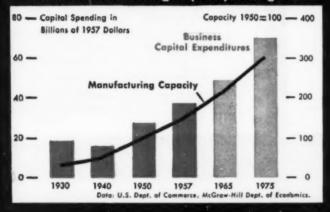
tions, drawn in brighter days, need a downward adjustment? And if business concerns revise their long-range expectations and increasingly stretch out or cut their expansion programs, will this not greatly aggravate and prolong the slump?

• The faster Soviet rate of industrial growth (BW-Mar.1'58,p122)—especially in relation to the virtual standstill of real U.S. output during the past two years—is creating worries over the outcome of the world contest between the Communist and capitalist

economic systems.

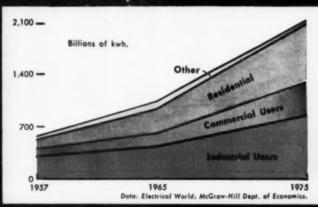
The Russians have demonstrated their ability to translate rapid economic progress into powerful political and military weapons. How can the U.S., with its essentially free and unplanned economy (in a total national sense) raise its long-term growth rate? Is an

Business will increase capital spending, and manufacturing capacity will grow

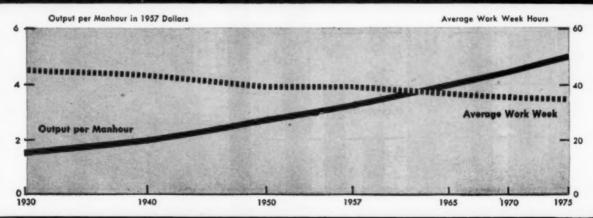


So productivity will increase and

The economy will have more electric power in back of it



The work week will decline but less than productivity will rise

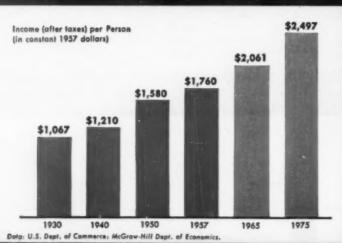


Data. McGraw-Hill Dept. of Economics.

WEUSINESS WEEK

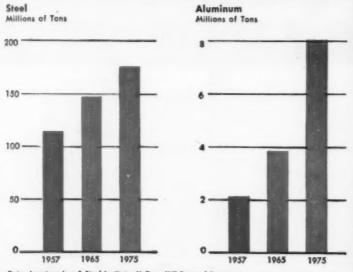
Improved technology, rising investment, and a bigger, more efficient labor force mean growing output (charts, p130,131). And growing output means growing incomes

9 So consumers will have more spending money-



11 The bigger economy will need more steel

2 And more metals such as aluminum



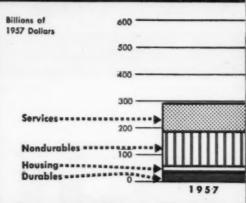
Data: American Iron & Steel Institute; McGraw-Hill Dept. of Economics.

economy that swings upward and downward with the business cycle basically miscast in a race with the Soviet Union?

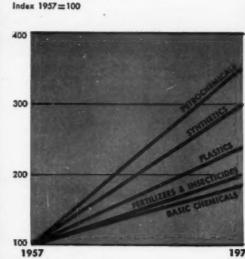
I. Four Years Early

At the moment, the U.S. is already where it expected to be four years from now. Six years ago, the McGraw-Hill Dept. of Economics made a 10-year projection to show where the U.S. economy should be in 1961 (BW-May24'52,p104). For that year, this projection foresaw a gross national product, in 1951 dollars, of \$380-billion. But in 1957, GNP in the same 1951 dollars had already reached \$391-billion. Consumer spending was pro-

10 To spread among all business sectors



13 And more chemicals



Data: McGraw-Hill Dept. of Economics.

jected at \$255-billion for 1961; last year it was \$257-billion on the same basis. Business capital spending in 1961 was expected to reach \$27-billion; in 1957 it was \$28.4-billion in 1951 dollars. And the McGraw-Hill projection placed new construction in 1961 at \$36-billion. Last year, on the same scale, it attained nearly \$41-billion.

• Behind the Speedup—How did the U.S. economy cover the projected distance in a bit more than half the expected time? Simply stated, two main things happened:

The civilian labor force grew faster than expected. It reached 67.9-million last year (though total population was still 4-million short of the 1961 projec-

tion); in 1951, economists had expected the civilian labor force in 1961 to number only 67.7-million. High prosperity and fast-rising job opportunities drew more workers—especially women—into employment than had been foreseen.

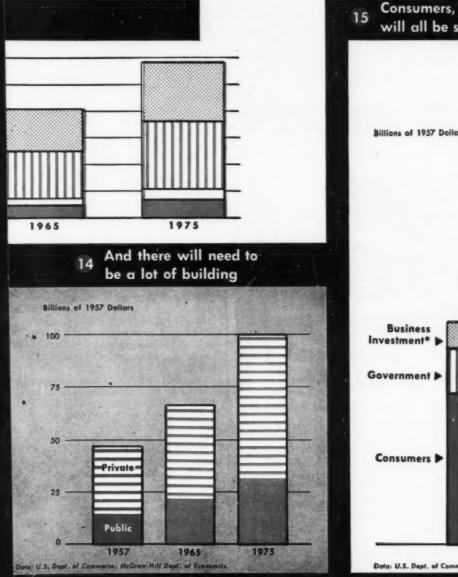
Productivity climbed faster than scheduled. Output per manhour had been expected to reach \$2.70 (in 1951 dollars) by 1961. Last year, output per manhour, in the same dollars, was \$2.92. The explanation for this spurt is complex—and perhaps baffling to some employers, who insist that during the boom workers got lazier, more careless, and less efficient. The rapid rise in productivity, it would appear, stemmed

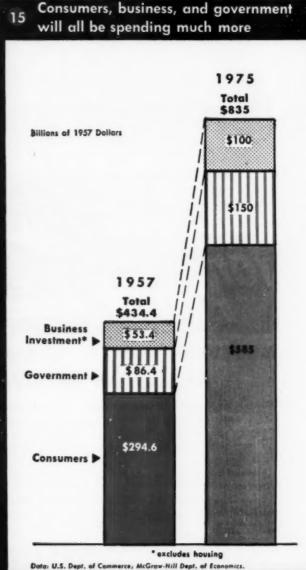
mainly from technological progress in many industries, plus heavy capital investment that backed up the work force with more machinery and power.

• Twice as Big—In their new projection, the McGraw-Hill economists look ahead to 1975—and what they see is an economy nearly twice as big as the U.S. economy today. Here's what went into that conclusion:

Employment. Bureau of Labor Statistics projections show a rise in population from 171-million last year to 235-million in 1975 and a growth in the labor force from 71-million to 94-million

Hours. The economists envision a shortening in the average workweek





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from 39 hours in 1957 to 35½ in 1975. Since 1930, weekly hours of work have been declining about three hours per decade. McGraw-Hill sees a slowing in that trend, though the 35½-hour average assumes that part of the labor force will be on a four-day week by 1975.

Productivity. From 1930 to 1957, productivity increased an average of about 2½% per year. With ups and downs along the way, the McGraw-Hill economists expect productivity to go on growing at that average rate during the 1960s and 1970s. That would boost output per manhour from \$3.29 per hour last year to \$5.14 per hour in 1975 (in 1957 dollars).

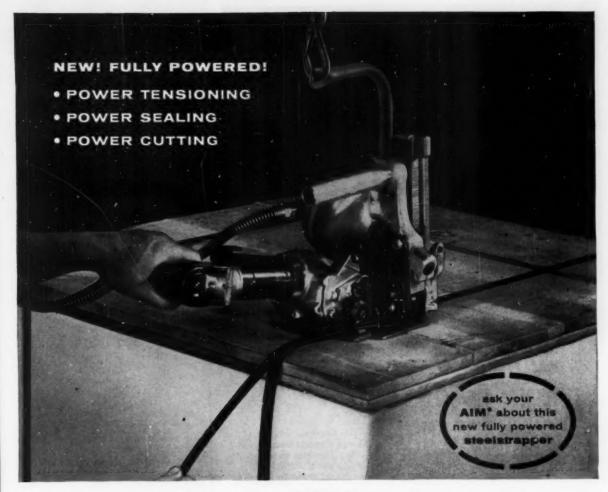
So—assuming that 6-million of the 94-million labor force will either be in the armed forces or unemployed—88-million employees, working an average 351-hours per week through the year, and turning out \$5.14 worth of product per hour, will produce a 1975 GNP of \$835-billion.

II. Food for Growth

Behind these over-all numbers, the McGraw-Hill economists see a host of technological and industrial developments that will nourish growth. Most significant and dramatic is the upsurge of national spending on research and development. McGraw-Hill surveys indicate that R&D spending by industry totaled \$7.3-billion in 1957—almost double the 1953 figure of \$3.7-billion. And government, university, and foundation spending on research came to \$3-billion last year. By 1960, total R&D spending should climb to \$15-billion—and create the new products, new processes, even new industries on which an economy grows.

McGraw-Hill economists haven't tried to plot research spending beyond 1960. And the very nature of innovation is that you can't be sure what course it will take. But the last decade's record gives some notion of the magnitude of the changes that fresh technological discoveries and applications can produce: In the past decade, for instance, electronics output increased 185%; output of plastics grew by 175%; aluminum output rose 200%.

• Vision of '75—The opening up of the space age is just one thing that might bring equally dramatic developments. Today a large task force of government and private researchers is working on problems of missiles and space travel—propulsion, structure, guidance, re-entry, instrumentation, power supply, test facilities, launching sites, tracking, space biology and psychology. So far, all of this is under military auspices. But many of the advances in chemistry, electronics, and metallurgy resulting from the effort to conquer space will also find industrial



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applications. And the surge of interest in science—and science education—will create a broader base for future industrial research in quite unrelated fields.

Within factories, work will be handled faster and more automatically. In some plants, high-speed conveyor systems will connect almost all machines. As machine tools operate at higher speeds, work will be automatically fed to them and controlled by electronic mechanisms. Sometime before 1975, we should see complete automatic assembly operations—electronic brains will direct mechanical fingers to accelerate production that today requires many man-hours.

Outside the factory, mechanization and electronic controls will be extended to laborious jobs in fields such as construction and agriculture. We will grow more food on fewer acres as chemistry improves crop yields, and bigger machines will get the harvest in faster.

 Consumer Appetites—But will such wonders make the working man obsolete? Far from it, say the McGraw-Hill projectors. As incomes rise, so will consumer demand both for goods and services. The greatest improvement, says the Economics Dept., will be in housing standards—and associated with it will be heavy consumption of wallsized TV sets, air conditioners, electric heat pumps, and other electrical appliances and household furnishings.

More leisure will mean more spending on entertainment, do-it-yourself home crafts, education, recreation—and especially more travel; Americans have always been a restless, mobile people. The McGraw-Hill economists anticipate a growing auto market (9-million cars by 1975), a tripling of spending on highways, more helicopters for private use, faster and better aircraft, trains, ships—and more airports, hotels, restaurants, sports clothes, luggage, cameras, fishing tackle, and what not to outfit the American voyager.

III. Are We Too Rich?

Is all this, in fact, too much? A number of thoughtful men-including some of the distinguished contributors to the Committee for Economic Development's symposium on the most important U.S. economic problem for the next 20 years (BW-Dec.28'57,p28)—think it is.

Stanford's Prof. Moses Abramovitz, for instance, argues that "multiplication of goods and services no longer promises the large rewards it used to do." He urges the need to reconsider the high priority we've given to expanding output and to strike a new balance among national objectives, because "a considerable proportion of current consumption, not only of the rich, but of a large part of our people, satis-



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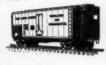
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Abramovitz wonders: "If no better use can be made of goodly portions of our present incomes, to what futility shall we be reduced when our incomes stand nearly twice as high?"

stand nearly twice as high?"
• Help for Others-What Abramovitz -and a number of thinkers like himnow call for is a shift toward objectives such as better education, public health, helping the poor at home and abroad. "If we must risk some reduction in our rate of growth in order to apply our expanding capacity to worthy and meaningful uses," says Abramovitz, "it is a risk well worthwhile." If we don't take this risk, says he, "we may discover that the economic progress of the next generation was an empty achievement, not only in the eyes of people in other countries, but perhaps still more in our own." Others, without making moral judgments, see an interest in welfare programs as a basic trend in the economy.

IV. Are We Too Slow?

But another group of worried thinkers is pushing in the opposite direction—for a much faster growth rate, lest the Russians outgrow and outproduce us and so win their ultimate world objectives. For instance, Alfred C. Neal, CED's president, last month voiced concern over whether the balance of strength will remain with us "without some rather important changes in our economy and in our attitudes." He continued: "Surely then, we need to formulate some new national goals to insure the survival of our type of civilization."

Not only business and university intellectuals but also high-policy planners within the U.S. government are desperately concerned about Soviet economic growth—conservatively estimated at 6% per year, though the Soviets themselves claim a better than 10% rate. This rate, some government economists foresee, will carry the Soviets ahead of us within two decades, if our own development does not move faster than the historic trend.

• Common Worrying—Abramovitz and Neal do not necessarily contradict each other. They are both concerned about not only the rate of advance but also the uses of America's wealth and productive power. America, worrying about the business slump and Soviet gains, is searching for new goals, they say—and new ways, within a democratic framework, of reaching those goals. END

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Where There's No Margin for Error

Washington was the scene last week of an unusual event—a bipartisan meeting in which the bigwigs of both parties, plus many leading citizens, helped Pres. Eisenhower launch a public campaign in support of his foreign aid program (BW—Mar.1'58,p29). The President, for his part, also used the occasion to get backing for the Administration's trade program.

The surprising thing about this Washington jamboree is not that it was held, but that it needed to be held—that the case for foreign aid and for two-way trade still has to be made in such a fashion. We would agree with the President that today there is "no margin for error" in either program. That is true, as we see it, whether you look at trade and aid as part of the East-West struggle or from the angle of our economic interests.

Take first the contest with Communism, which promises to be prolonged and remorseless now that the Russians have demonstrated their ability both to pioneer in space weapons and to challenge the U.S. in aid to the underdeveloped nations.

Unless we want to throw in the sponge, this surely is the worst time to deflate the military and economic assistance programs that for 10 years have been keeping many allied and neutral nations from falling into Moscow's lap. Since fiscal 1955, incidentally, the average annual cost of these programs has been only half what it was during 1949-54, when Moscow was relatively much weaker.

In terms of the East-West struggle, this also would be the worst time for the U.S. to reverse the trend toward freer trade that started almost 25 years ago with passage of the Reciprocal Trade Agreements Act. The ghost of Hawley-Smoot already is haunting many businessmen in friendly nations.

When it comes to our immediate economic interests, the Administration's case for both aid and trade strikes us as equally valid. As things stand today, any large cut in aid would automatically reduce the dollars available abroad to buy American goods and services and to cover transfers of profits on private U.S. investments abroad. The same would be true of new U.S. trade barriers that shut cut any substantial volume of imports.

There can be little doubt that our foreign aid programs and our liberalized import policy have helped to generate the tremendous postwar expansion of world trade and likewise the growth of U. S. exports and of foreign operations by U. S. firms.

We are not arguing for ever-larger foreign aid and ever-lower U.S. tariffs. Given our own domestic problems, we doubt if this country can be expected to provide more in foreign aid than the \$3.9-billion requested by the President. Also, we feel that the main goal of the Administration's trade policy today

should be to fight any turn toward protectionism, not to lower our tariffs any further—at least not until we have shaken off this recession.

If a majority in Congress should either slash foreign aid drastically or reverse our trade policy, then the Communists could chalk up a cold war victory. And American industry could look for a sharp decline in its business abroad.

Caution Has Its Own Risks

During the 1955-1957 boom, the Federal Reserve System fought inflation with a restrictive credit policy. But since the recession began, the nation's money managers have been slow to switch policy—and their caution has become a cause for concern.

To be sure, the Fed has lowered the discount rate and stock margin requirements. And it has made a one-half of 1% cut in reserve requirements. But these have been modest and piecemeal measures that reveal a reluctance to make a basic change.

As a result, the money managers have become isolated from their supporters in the Administration and the financial community. Banking circles, for example, which had lauded the Fed's courage in tightening credit last year, are now disappointed.

The bipartisan report of Congress' Joint Economic Committee, which also supported the Fed's tightening, makes a strong call for easing action. It states that "monetary action should be used without hesitation."

This kind of criticism is now general. The Fed, however, has shown no signs that it is prepared to take stronger action. Its officials continue to point out that inflation is the long-run danger.

The Fed feels that its policy of aggressive ease in the 1953-1954 recession was responsible for much of the inflationary threat that emerged in the ensuing recovery. It is determined not to go to an extreme of ease again.

But the Fed appears in danger of going to another extreme now. As the Joint Economic Committee says, "The absence of further action might perpetuate monetary stringency and lack of liquidity for consumers, business, and government."

We recognize the long-range threat of inflation, but the short-term problem facing the Fed is how to cushion the current recession. It cannot succeed in its objective if it tries to correct one mistake by another mistake.

In fact, in its zeal to avoid inflation, the Fed may encourage a serious deflation. This is also a threat that must be avoided. It is just as big a mistake to remain too cautious now as it was to become too aggressive in 1954.



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